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38 *IDEA* 569

THE FIRST FIVE YEARS OF THE NEW CANADIAN TRADEMARK LICENSING REGIME

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I. Introduction

Although there are many similarities between the trademark laws of Canada and the United States, until 1993 the law of trademark licensing in Canada differed substantially from that of the United States. To the uninitiated, Canadian trademark licensing law and its registered user requirements held numerous pitfalls which, if not avoided, resulted in

the inability of a trademark owner to obtain, maintain and enforce rights. In 1993, fundamental changes were made to Canadian trademark licensing law. However, even since the changes, there are still a number of differences in the laws of trademark licensing in Canada and the United States. This article summarizes the Canadian experience during the first five years ⁿ¹ of its new trademark licensing regime. While the article also

[*570] provides some practical advice on licensing arrangements, it does not address license agreement drafting issues, which the author has considered elsewhere. n2

II. Distinctiveness

The key to understanding the Canadian law of trademark licensing, both under the prior and new regimes, is an appreciation of the fundamental concept of "distinctiveness." The Canadian Trade Marks Act n3 ("the Act") incorporated the early common law view that a trademark indicates the source or origin of the goods or services with which the trademark is used. Under this "source theory" of protection, the public interest is thought to be in the knowledge that the trademark identifies a single supplier of the goods or services. n4 The source theory may be distinguished from the "quality" or "guarantee theory" which forms the basis of United States trademark law. A "trademark" includes "a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others." n5 "Distinctive," in relation to a trademark, is defined as "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." n6 By definition, if a mark does not or cannot distinguish the source of the goods or services offered in association with the mark, the mark is not a trademark.

[*571]

III. The Prior Regime

Until enactment of the Act, the view was that any licensing of a trademark in Canada had the effect of impairing the mark's distinctiveness.ⁿ⁷ This is because the purchasing public might be misled or confused if a licensee used a trademark with goods or services when the mark signified to the public the goods or services of the trademark owner.ⁿ⁸ Although there were exceptions in peculiar circumstances,ⁿ⁹ the basic rule at common law was, and probably still is, that the licensing of a trademark may impair its distinctiveness and therefore result in a trademark being unregistrable or its registration being invalid and unenforceable. While licensing per se might not impair distinctiveness, the likely result of licensing was that the licensed trademark would be associated with someone other than its owner and therefore become non-distinctive.ⁿ¹⁰ While the Act was intended to reform Canadian trademark law to conform to modern commercial practice, the classical source theory remained the underlying principle. Thus the Act provided only a limited degree of recognition of the quality or guarantee theory and took a restrictive approach to trademark licensing. The Act had to be read in the context of the common law, which it did not abrogate.

The Act legitimized licensing through a limited and narrowly prescribed system of registration of users.ⁿ¹¹ The system allowed the owner of a registered trademark to permit use of that trademark by registered third parties in association with any or all of the wares or services for which the trademark was registered.ⁿ¹² However, the Registrar of Trade Marks had to be satisfied that the use of the trademark by the proposed registered user would not be contrary to the public interest.ⁿ¹³

[*572] Since the Act did not define the nature of the public interest to be protected in situations where a mark was licensed, courts took the position that the registered user provisions were an exception to the source theory and had to be strictly construed to avoid public deception or confusion. n14

Upon application, the Registrar had to approve the proposed registered user, subject to any conditions or restrictions that the Registrar considered proper. n15 A licensee had to comply strictly with the user registration or risk cancellation of its user registration and termination of the permitted use. n16 Once a licensee was approved as a user, the Act provided that permitted use of the trademark by the licensee had the same effect for all purposes as a use thereof by the registered owner. n17

This had the effect of preserving compliance with the source theory. It was not necessary to have an additional license agreement between the parties. However, for commercial and other reasons, it was best to have a separate license agreement so as to avoid making this information available to the public. Although the statute enabled the Registrar to call for a copy of such agreement, n18 in practice this was rarely done.

The requisite degree of control by a licensor of a registered licensee's use of a trademark was not clear. Although a lower court implied that actual control was necessary, n19 the Supreme Court of Canada held that compliance with the registered user provisions of the Act was enough to overcome any confusion that may exist in the marketplace. n20 Therefore, the existence in Canada of a valid user registration may have supported an argument that judicial investigation of the sufficiency of control by the licensor was unnecessary. However, actual quality control

[*573] by the licensor was nonetheless strongly recommended for both business and legal reasons.

The use of a trademark within a trade name by a licensee was problematic. A "trade name" is defined in the Act as "the name under which any business is carried on, whether or not it is the name of a corporation, a partnership or an individual." n21 Jurisprudence suggested that a trademark owner may have been at considerable risk if it allowed a licensee to use a trade name featuring the licensed trademark. n22 The same principle operated whether or not the user of the trade name was a related company. It was arguable that, even if there was compliance with the registered user provisions and the licensee was a related company, a trademark might have been put in jeopardy by the use of a confusing trade name. However, there is at least one statement in the case law to the effect that the use of a confusing trade name by a licensee who was registered as a user enured to the benefit of the trademark owner so long as the activity of the licensee was governed by its registration as a user. n23

The registered user scheme was designed to accommodate a relatively straightforward licensing situation, but it was not successful in dealing with modern commercial practices of trademark and trade name exploitation. So long as there was compliance with the technical requirements a licensed trademark could be protected, provided the licensed trademark was registered for use in association with the appropriate wares and services and the licensee was registered as a user thereof. However, in many modern commercial situations, the administrative efforts and costs associated with complying with this system were quite burdensome. For example, in the case of merchandise license programs and franchise systems, the costs of filing registered user applications for each licensee and franchisee were prohibitive, particularly since merchandise and franchise programs are not static. New applications to register such marks and corresponding new applications had to be filed to register each licensee and franchisee.

[*574]

IV. The 1993 Statutory Regime

For these and other reasons, the 1993 Intellectual Property Law Improvement Act, n24 among other things, abolished the registered user system. The amendments introduced a system in which the distinctiveness of the trademark depends on the owner of the mark controlling the use by a licensee. Subsection 50(1) now provides:

For the purposes of this Act, if an entity is licensed by or with the authority of the owner of a trade-mark to use the trade-mark in a country and the owner has, under the license, direct or indirect control of the character or quality of the wares or services, then the use, advertisement or display of the trade-mark in that country as or in a trade-mark, trade-name or otherwise by that entity has, and is deemed always to have had, the same effect as such a use, advertisement or display of the trade-mark in that country by the owner. n25

Subsection 50(2) now provides:

For the purposes of this Act, to the extent that public notice is given of the fact that the use of the 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. n26

Subsection 50(3) parallels the language of prior subsection 50(4) under the registered user regime:

Subject to any agreement subsisting between an owner of a trade-mark and a licensee of the trade-mark, the licensee may call on the owner to take proceedings for infringement thereof, and, if the owner refuses or neglects to do so within two months after being so called on, the licensee may institute proceedings for infringement in the licensee's own name as if the licensee were the owner, making the owner a defendant. n27

Under the new regime, in order to preserve the distinctiveness of a trademark, and therefore the ability to obtain or maintain a registration or enforce rights in a registration, it is necessary that all uses of a trademark by an entity other than the owner must be controlled by the owner under a license. Essentially, the new legislation provides as follows: The trademark must be used by the owner or someone licensed "by or with the authority of" the trademark owner; n28

[*575] The owner must exercise, rather than merely have the right to exercise, direct or indirect control over the "character or quality" of the licensee's wares or services; n29
The control must be "under the license"; n30 It seems that both registered and unregistered trademarks and trade dress may be subject to this regime; n31 Trade names are covered by this regime; n32 If suitable public notice is given that says the use of a trademark is a licensed use and that identifies the trade-mark owner, it will be presumed that the use is licensed and that the wares or services are made or performed under the control of the owner; n33 The scheme recognizes licensing abroad; n34 and, Past and future controlled use, advertisement and display of the trademark by the licensee as a trademark, trade name or otherwise are governed by the new scheme. n35

A. Scope

One might ask whether, by the adoption of the new approach, the Canadian system has moved away from the classical source philosophy of trademark law. While it is clear that the focus of litigation surrounding the loss of distinctiveness of a trademark under the new provisions has changed from non-compliance with the registered user scheme to a scrutiny of licensing practices, the fundamentals of Canadian trademark law with respect to the function of a trademark have not been totally revised. Subsection 50(1) is a deeming provision and probably did not change the historical basis or the statutory scheme of the Act. In fact, it is arguable that the new legislation merely replaced the requirements of the registered user scheme with controlled licensing in order to maintain,

[*576] at least theoretically, the source theory. For this reason, Section 50 will probably be construed strictly by the courts, n36 as they did with the registered user provisions. n37 Yet, in the limited experience to date, this has not necessarily been the case. n38

It is important to note that, by its own terms, Section 50 applies only for the purposes of the Act. In other words, it is meant merely to deem use of a trademark by a licensee as use by the owner when controlled by the latter under a license. Section 50 should not have any other impact, for example in income tax, regulatory or product liability issues. n39 However, the limited applicability of Section 50 should not preclude a licensor from being found liable for the activities of a licensee in association with a trademark under the control of the licensor. n40 In other words, Subsection 50(1) should not increase or decrease the likelihood of a licensor being found liable for product liability under "licensor liability." n41

B. License

The trademark must be used by the owner or someone licensed by or with the authority of the trademark owner. Use by a person other than the owner or a licensee does not enure to the owner.

The leading case on this point is *Unitel Communications Inc. v. Bell Canada*. n42 Unitel sought to expunge a number of Bell's trademark registrations (including WATS, 900 SERVICE and CALLING CARD) on several grounds, including lack of distinctiveness due to extensive use by licensees of the marks without quality control. In the end, the registrations were held invalid. Two of the registrations were successfully

[*577] attacked on the basis of false declarations of use. n43 All were invalidated because the trademarks were held to be nondistinctive as a result of use by others without control by Bell. n44

The trademarks were used by a number of provincial telephone companies across Canada within the Stentor Group. The application by Unitel was brought while the registered user system was still in effect but was decided after it had been abolished. Bell took the position that, even if certain users of the marks were not registered users as then required by the Act, licensing agreements entered into after the new licensing regime was introduced cured any defect that may have existed. The court noted that Bell had not submitted anything in writing which supported its evidence that the Stentor members were authorized to use the trademarks. n45 Bell tried to rely on "traffic agreements" between Bell and the Stentor members to establish control. The court concluded that the traffic agreements merely established revenue sharing arrangements. n46

Bell was not in any position to exercise any control to determine the quality of the services rendered by each telephone company. The court held that, regardless of whether the registered user or licensing provisions of the Act applied, the traffic agreements were less than a persuasive rebuttal to evidence of unauthorized use of the trademarks by telecommunications companies. n47 In summary, the court found that the trademarks were not distinctive because Bell was "remarkably lax" in its management and policing of its trademark rights. n48 The court concluded that the use was of such an extent by the time the proceedings were commenced as to render the trademarks nondistinctive. n49

In a number of cases, registrations have been canceled in non-use proceedings because the trademarks had been used by someone other than the owner or a person licensed by the owner.

For example, in *Borden & Elliott v. Titans Television Ltd.*, n50 a registration was expunged because the trademark was used without a license by only one other person. The trademark owner failed to show that it controlled the character or quality of the services offered by the third party in association with the trademark.

[*578]

In Sim & McBurney v. Titantex Inc., n51 there was no evidence of licensing, so use by others did not accrue to the benefit of the registrant. The registration was expunged.

In Gariepy, Marcoux, Richard v. Anderson & Anderson, n52 a registration was expunged because the owner failed to establish that a user of the trademark had been licensed to use it.

In Perley-Robertson, Panet, Hill & McDougall v. 783234 Ontario Ltd., n53 the entity which used the mark was not registered as a user prior to the change in the law, nor was there any evidence showing any relationship between the registrant and the user. Accordingly, it was held that there was no licensed use of the mark by the third party which would enure to the benefit of the registrant, and the registration was expunged. n54 A similar outcome occurred in Rogers & Scott v. World Auto Body Standards Guild Ltd. n55

In Phillips & Vineberg v. Expressco, Inc., n56 the failure to prove that the entity which used the mark was licensed or that the trademark owner had exercised control over the use of the mark resulted in the registrations being expunged.

However, one passing-off case, Enterprise Rent-A-Car Co. v. Singer, n57 found use of the trademark to enure to the benefit of the owner in the absence of license agreements between the owner and its subsidiaries. The Canadian subsidiaries of Enterprise never signed registered user agreements or license agreements even though they used the trademarks in Canada. Nor was there any evidence that public notice of the ownership and licensing arrangements between Enterprise and its subsidiaries had ever been given. Nevertheless, the court deemed the use of the trademarks by the subsidiaries to be use by Enterprise pursuant to Section 50. n58 Enterprise directed the activities of all of its subsidiaries by providing trademark usage and advertising manuals and by conducting regular inspections of the subsidiaries' premises. The court viewed this exercise of control as sufficient. n59 While there was no agreement in

[*579] Enterprise, the subsidiaries were clearly licensed. The issue of whether an agreement is necessary and how control must be exercised is discussed in the following sections.

C. Control

The owner must have direct or indirect control over the "character or quality" of the wares or services in association with which the trademark is used by the licensee.

"Character" means a feature, trait or characteristic of the wares or services. n60

"Quality" means the degree, class or grade of wares or services. n61 Section 50 does not prescribe a level of quality. A trademark owner may specify any level of quality that suits its goals in the marketplace. A licensor may even specify varying levels of quality in different markets, such as different geographical regions. n62

The English version of Subsection 50(1), by its use of the word "or," suggests that the licensor need only control either the character or the quality of the goods or services with which the trademark is used. However, the French version, which uses the word "et" (and), is more consistent with the purposes of Section 50 because to control the character of goods or services without controlling their quality would seem to defeat the purpose of the Act, namely to avoid misleading the public. n63 Therefore, it is suggested that the word "or" be interpreted conjunctively as "and." n64 There is precedent for this in the Act n65 and other intellectual property statutes. n66

The statute does not specify what a trademark owner must do in order to "control" the use of its trademark. The situation is even less clear for related companies - Section 50 states that a trademark owner must exercise quality control over a related licensee "under the license"

[*580] rather than through, for example, share ownership. n67 Ordinarily, a trademark owner may exercise either direct or indirect control over a licensee. Direct control is normally exercised by supplying proper use guidelines, n68 providing quality control and manufacturing specifications, n69 approving samples of the product at various stages of its manufacture by the licensee, n70 visiting the licensee's premises to inspect the licensed wares or services, n71 reviewing the licensee's quality control tests, and acting on consumer complaints or concerns identified during quality control activities. On the other hand, a trademark owner may exercise indirect control by appointing an independent agent or an intermediary licensee to exercise direct control over the licensee. n72

It is likely that the trademark owner or its designated agent must exercise de facto control over, rather than merely have a right to control, the activities of its licensee. n73 What would be considered sufficient control under this provision is a question of fact. Even though the new provisions are not identical to those in the United States' Lanham Act, n74 the body of jurisprudence which has evolved over the years in the United States as to what constitutes sufficient control should be useful in interpreting the Canadian provisions. As under United States' law, it is likely that mere paper control will not satisfy the requirements of the new scheme. "Naked" licenses will likely leave a mark subject to

[*581] challenge or being held unenforceable. It may not be enough merely to have an agreement in place that gives the owner the right to control the licensee's use if that right is not exercised.

In some situations, where there has been a longstanding problem-free relationship between the licensor and the licensee or where the licensee has a sterling reputation in the industry, the licensor may wish to rely on the quality control procedures of the licensee. While the reputation of the licensee may reduce the extent of control necessary, it is doubtful whether the mere reliance on the licensee's own quality assurance procedures will satisfy the need for control by the licensor.

The following is a summary of cases considering the issue of control. The first group deals with situations where sufficient control was found.

In *Enterprise Rent-A-Car Co. v. Singer*, n75 the Canadian subsidiaries of Enterprise never entered any written license agreements. However, Enterprise directed the activities of all of its subsidiaries by providing trademark usage and advertising manuals and by conducting regular inspections of the subsidiaries' premises. The court deemed the use of the trademarks by the subsidiaries under the control of Enterprise to be used by Enterprise pursuant to Section 50. n76

In *Quarry Corp. Ltd. v. Bacardi & Co.*, n77 the manufacture of rum by Bacardi's licensee pursuant to Bacardi's quality standards was found to inure to the benefit of the trademark owner.

In *Bereskin & Parr v. Coca-Cola Ltd.*, n78 it was held that, although the registrant's affidavit in non-use proceedings did not expressly name the licensee who used the trademark in Canada, a license relationship between the two companies was apparent when the evidence was considered as a whole. The registrant provided its licensee with specifications for the manufacture and sale of beverages and maintained strict control over the character and quality of licensed products. On the basis of such statements, it was held that two entities were licensed by the registrant and that the registrant had control of the character and quality of the wares. n79 Accordingly, such use was held to be used by the registrant and sufficient to meet the requirements of Section 50. n80

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In *Gowling, Strathy & Henderson v. Foodmaker, Inc.*, ⁿ⁸¹ the agreement introduced in the non-use proceedings provided that the wares and services with which the trademarks were to be used "shall be of a standard and quality acceptable to the trademark owner." Further, the agreement permitted the owner the right to obtain samples sold in association with the trademark and to inspect the premises. Accordingly, the Hearing Officer inferred that the registered owner exercised control over the character and quality of the wares pursuant to Section 50. ⁿ⁸²

In *United Distillers Glenmore, Inc. v. El Toro Restaurant & Pizzeria Ltd.*, ⁿ⁸³ the evidence in non-use proceedings that the licensee operated its business in a manner approved by the registrant satisfied the requirements of Section 50. Use by the licensee therefore accrued to the registrant. ⁿ⁸⁴

In *Gowling, Strathy & Henderson v. Samsonite Corp.*, ⁿ⁸⁵ the party that used the mark was licensed by the registrant to use the trademark in Canada. Under the license agreement, the registrant had direct and indirect control over the character and quality of the goods that the licensee manufactured, and this was sufficient to meet the requirements of Section 50. ⁿ⁸⁶

In another non-use case, *Sim & McBurney v. LeSage Inc.*, ⁿ⁸⁷ the evidence that the registrant had control over the character or quality of the wares or services offered by licensees under the mark was sufficient to establish that use of a trademark by a licensee enured to the benefit of the licensor.

In *American Cyanamid Co. v. Storley Pharmaceuticals Ltd.*, ⁿ⁸⁸ representatives of the parent company periodically visited its wholly controlled subsidiary to check that products were manufactured in accordance with specifications and analytical methods for quality control provided by the parent. This was held to be sufficient control over the licensee's goods. ⁿ⁸⁹

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In Re Niagara Frontier Hockey LP, n90 the registrant was a member club of the National Hockey League. NHL Enterprises Canada Inc. (NHLE) was the licensing agent in Canada for the NHL and its member teams. NHLE arranged for licenses and determined standards for, and supervised a variety of goods made by, various licensees bearing the trademarks of the NHL and its member teams, including the registrant. It was held that the registrant, through the licenses arranged and controlled by NHLE, indirectly controlled the quality of the licensed wares. n91 The use of the trademarks by the licensees enured to the benefit of the trademark owner. n92

The following decisions exemplify situations where trademark rights were lost because of improper licensing and control.

In Unitel Communications Inc. v. Bell Canada, n93 Bell entered into call traffic agreements with the various members of the Sencor Group. However, these agreements merely governed revenue allocation. Bell was not able to exercise any control over the quality of the telecommunications services rendered by the others in association with Bell's marks. Accordingly, Bell was not able to establish control and obtain the benefit of Section 50. n94

Unitel and Bell also contested a similar issue in an opposition proceeding. In Unitel Communications Inc. v. Bell Canada, n95 Bell filed an application to register the trademark 800 SERVICE for use in association with long distance telephone services. The application was refused. n96 In its evidence, Bell stated that it had licensed other telephone companies across Canada to use the 800 SERVICE trademark. However, Bell failed to file any evidence showing its direct or indirect control of the character or quality of the telecommunication services rendered by its licensees. Since it could not be inferred that control was exercised by Bell over its licensees, the use did not inure to the benefit of the applicant. n97 Accordingly, the trademark was held to be nondistinctive. n98

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In 88766 Canada Inc. v. Herbert Dannroth GmbH, n99 the trademark owner failed to show that the use of the trademark by its licensee in association with clothing was controlled as to character or quality. Accordingly, the registration was expunged in non-use proceedings .

D. Delegation and Sublicensing

The wording of Subsection 50(1) clearly contemplates that control may be direct or indirect. A person may be "licensed by or with the authority of the owner of a trademark." Therefore, both sublicensing arrangements and arrangements whereby a person, such as a licensing agent, is nominated by a trademark owner to conduct licensing on the owner's behalf would appear to satisfy the criteria. n100 This is of significant practical benefit as the registered user scheme did not provide for the registration of user arrangements between licensees and sublicensees. It was therefore necessary under the prior scheme to appoint the licensee as agent of the trademark owner to license the trademark to the sublicensee for the registered user application to be made between the trademark owner and the sublicensee. This was done so that there was privity of contract between the two of them. However, the trademark owner must have ultimate control. If control is delegated, the owner must have the ability to indirectly control the character or quality of the goods or services.

In Re Niagara Frontier Hockey LP, n101 the registrant was a member club of the National Hockey League. NHL Enterprises Canada Inc. ("NHLE") was the licensing agent in Canada for the NHL and its member teams. NHLE arranged for licenses and determined standards for, and supervised a variety of goods made by various licensees bearing the trademarks of the NHL and its member teams, including the registrant. It was held that the registrant, through the licenses arranged and controlled by NHLE, indirectly controlled the quality of the licensed goods. The use of the trademarks by the licensees inured to the benefit of the trademark owner.

[*585]

E. Under the License: Related Persons

The trademark owner's control over the licensee must arise "under the license" and relate to the "character or quality" of the goods or services in association with which the trademark is used. There is no express requirement that the license be in writing. Decisions have held that licenses may be oral.ⁿ¹⁰² Similarly, licenses may be implied in some circumstances.ⁿ¹⁰³ However, in some jurisdictions, the license may have to be in writing for other purposes,ⁿ¹⁰⁴ such as proving its existence, terms and conditions. If the license is in writing, there is no prescribed form.

The licensed use of a trademark by a related company is governed by the same rules as the use of a trademark by an unrelated company. The new provisions do not incorporate the "related companies" concept as does United States law.ⁿ¹⁰⁵ Even though the practice under the registered user scheme was that the Canadian Trade Marks Office would, for purposes of the registration of licensees as users, accept a statement that the parties were "related companies"ⁿ¹⁰⁶ as sufficient means of control, this practice will not necessarily be viewed as sufficient under the new licensing provisions. There is no express language to this effect in the Act, so corporate ownership is not necessarily sufficient to conclude that the owner is controlling the activities of its licensee. However, the cases to date have not been entirely consistent.

In *Enterprise Rent-A-Car Co. v. Singer*,ⁿ¹⁰⁷ the Canadian subsidiaries did not enter license agreements and there was no evidence that public notice of the ownership and licensing arrangements between Enterprise and its subsidiaries had ever been given. Nevertheless, the court deemed the use of the trademarks by the subsidiaries to be use by Enterprise pursuant to Section 50 because Enterprise directed the activities of all of its subsidiaries by providing trademark usage and advertising manuals, and by conducting regular inspections of the subsidiaries' premises.

[*586]

Similarly, in American Cyanamid Co. v. Storley Pharmaceuticals, n108 the parent company conducted periodic visits to its wholly controlled subsidiary to check that the products were manufactured in accordance with specifications and analytical methods for quality control provided by the parent. This was sufficient for the owner to avail itself of use by the subsidiary.

However, the court in MCI Communications Corp. v. MCI Multinet Communications Inc. n109 took the position that licenses are a necessity, even between related companies. The opponent MCI Communications operated its Canadian business providing a wide range of telecommunication services through a number of wholly-owned subsidiaries. MCI Multinet's application to register the trademark MCI for similar services was refused on the basis that the mark MCI for similar services was not distinctive of the applicant. This was a result of prior advertising by the opponent itself through printed publications and television broadcasts originating in the United States and received in Canada.

However, the Opposition Board noted that use of the trademark MCI by the opponent's subsidiaries did not inure to the benefit of the opponent since it was not established that a license, formal or informal, existed between the opponent and its subsidiaries under which the opponent, as trademark owner, exercised control over the character or quality of the services provided by the subsidiaries. The fact that the subsidiaries were wholly-owned, and therefore under the ultimate control of the trademark owner, did not assist the owner. The Board did express a willingness to recognize an informal license, in the absence of a license in writing, although on the facts of the case it concluded that no such license existed.

In Smith Lyons v. Pharmaglobe Laboratories, n110 use by a parent of the company which owned the trademark without a license or any evidence of the requisite control was not sufficient to satisfy Section 50.

In Borden & Elliot v. Greb International, n111 use without a license by a corporate general partner of a limited partnership which owned the registration was insufficient to satisfy Section 50.

In Finlayson & Singlehurst v. Hollywood Star Knitting Mills Ltd., n112 the trademark had been used by a related company, which had purportedly acquired the rights to use the trademark through a license agreement with the registrant. It was held that the registrant had not

[*587] evidenced the license in favor of the user of the mark, and there was no evidence of the registrant's control of the character or quality of the goods sold by the licensee. The fact that the companies were related was not sufficient to conclude either direct or indirect control by the registrant over the character or quality of the goods sold under the trademark.

In Dynatech Automation Systems Inc. v. Dynatech Corp., n113 the hearing officer concluded that the trademark was in use in Canada by three companies, which were either subsidiaries of Dynatech Corp., or directly controlled by it. However, the evidence failed to establish that the use of the trademark by the subsidiaries and related companies inured to the benefit of Dynatech Corp. Accordingly, the registration was expunged for non-use.

These cases may be reconciled on the basis that even where there was no license agreement, if actual control was exercised over the character or quality of the goods or services, a license could be implied. However, such distinctions are not as clear as one would like.

F. Pharmaceutical Industry

It is worth noting that related companies in the pharmaceutical industry are treated differently by the Act. The use by a company which is related to the owner of the trademark, or a trademark confusing therewith, in association with a "pharmaceutical preparation" that is acquired by a person directly or indirectly from the company, and is sold, distributed or advertised for sale in Canada in a package bearing the name of the company and the name of that person as the distributor thereof has the same effect, for all purposes of this Act, as a use of the trademark or the confusing trademark, by that owner. n114 "Related companies" are defined in Section 2 as "companies that are members of a group of two or more companies one of which, directly or indirectly, owns or controls a majority of the issued voting stock of the others."

For the purpose of this exception, a "pharmaceutical preparation" includes (a) any substance or mixture of substances manufactured, sold or represented for use in (i) the diagnosis, treatment, mitigation or prevention of a disease, disorder or abnormal physical state, or the symptoms thereof, in humans or animals, or (ii) restoring, correcting or modifying organic functions in humans or animals, and (b) any substance

[*588] to be used in the preparation or production of any substance or mixture of substances described in paragraph (a). However, it does not include any such substance or mixture of substances that is the same or substantially the same as a substance or mixture of substances that is a proprietary medicine within the meaning from time to time assigned to that expression by regulations made pursuant to the Food and Drugs Act.
n115

This exception does not apply to any use of a trademark or a confusing trademark by a company in association with a pharmaceutical preparation after such time, if any, as that pharmaceutical preparation is declared to be sufficiently different in its composition from the pharmaceutical preparation in association with which the trademark is used in Canada as to be likely to result in a hazard to health. n116 The Minister of National Health and Welfare does this by notice published in the Canada Gazette.

G. Standards

Subsection 50(1) does not provide for how the standards are to be set. There is no reason why a trademark owner cannot stipulate that the licensee must comply with standards set by a third party, n117 such as a regulatory authority, n118 by law, n119 by an industry association, n120 or by a standards organization. n121 However, it is the trademark owner who is responsible for ensuring that the standards are maintained.

H. Registered Users

Despite the abolition of the user registration regime, courts and the Trade Marks Office have recognized registered user arrangements as licenses or evidence thereof without careful scrutiny of the control exercised by the licensee. n122 Some of these decisions have been in non-use

[*589] proceedings, in which the courts have consistently held that the evidential burden on a registrant to maintain a registration is light.

In Julius Samann Ltd. v. Ferjo, n123 the opponent's evidence consisted of an affidavit from the president of a company that was a former registered user of the opponent's marks. In the absence of evidence to the contrary, it was assumed that the opponent's company was at all relevant times authorized to use the opponent's marks within the terms of Section 50.

In H lene Curtis Inc. v. Belvedere International Inc., n124 the opponent's evidence included an affidavit from the President of H lene Curtis Ltd., a wholly-owned subsidiary of the opponent and former registered user of the opponent's registered marks. For the purposes of the opposition proceedings, it was assumed that this company was at all relevant times licensed to use the opponent's marks within the terms of Section 50.

In Davis and Company v. Sunshine Village, n125 use of a trademark by a former registered user was considered to be proper use in compliance with Section 50 at all relevant times. The decision did not consider whether actual control was exercised by the trademark owner.

In Laboratoire Garnier & Cie v. Neutrogena Corp., n126 the registration for the trademark NEUTROGENA for cosmetic preparations withstood a non-use challenge because it was successfully established that the actual user of the trademark during the relevant period had been registered as a user.

Non-use challenges were also successfully defended in McFadden, Fincham, Marcus & Anissimoff v. We Care Health Services Inc., n127 In re We Care Health Services Inc., n128 Smith Lyons v. Scott's Hospitality Inc. n129 , and Kirby Eades Gale Baker v. Reitmans (Canada) Ltd. n130

However, in Inco Ltd. v. International Co-Ordinate Marketing Division Europe GmbH, n131 the applicant's evidence did not clearly establish that its related company, for which a registered user application

[*590] had been filed, was licensed to use the marks. Thus, use of the mark by the related company did not inure to the benefit of the applicant pursuant to Section 50.

Similarly, in Novopharm Ltd. v. Hoechst Aktiengesellschaft, n132 Hoechst applied to register the color, shape and size of a pharmaceutical tablet. Hoechst claimed use of the mark by Hoechst-Roussel Canada Inc. (HR Canada) and its predecessor. The package for the tablets identified HR Canada as the source, but there was no indication that HR Canada was a licensee of Hoechst. There was no license agreement between Hoechst and HR Canada, although there was a user registration. The Opposition Board said that the user registration did not satisfy the quality control requirements under subsection 50(1). Therefore, Hoechst could not rely on use of the mark by HR Canada and the application was rejected.

I. Unregistered Trade-Marks

One question which is not explicitly addressed by the new provision is whether it also applies to unregistered trademarks. As mentioned above, under the registered user scheme, the licensing of an unregistered trademark would likely cause the mark to become non-distinctive. This is because a user could only be registered with respect to a registered mark. However, by its terms, the scope of Section 50 is limited to "the purposes of [the] Act." It is arguable that the Act does not extend to deem use by a licensee of an unregistered mark to be use by its owner because of the constitutional separation of powers between the federal and provincial levels of government in Canada. While the jurisdiction of the federal government as to patents and copyright is clearly set out in the Constitution Act, n133 it is only by interpretation of the federal power to regulate "Trade and Commerce" n134 that the courts have concluded that the federal government has authority over trademarks.

The provinces have jurisdiction over "Property and Civil Rights" n135 and matters of local interest. Trademarks, especially when unregistered, can arguably be said to be a question pertaining to "Property and Civil Rights." At the very least, it seems that the deeming provision applies to unlicensed trademarks considered in actions for statutory passing off

[*591] pursuant to Paragraph 7(b) of the Act. n136 Although new Section 50 was applied to unregistered marks in Enterprise Rent-A-Car Co. v. Singer, n137 and to trade dress in Eli Lilly and Company v. Novopharm Ltd., n138 the situation is not yet clear.

J. Trade Dress

The recent decision in Eli Lilly & Co. v. Novopharm, Ltd. n139 relating to the size, shape and color of fluoxetine hydrochloride ("fluoxetine") capsules illustrates the applicability of the new licensing provisions to trade dress. Eli Lilly ("Lilly US") alleged ownership of trade dress rights in the size, shape and color of capsules for its antidepressant fluoxetine, which Eli Lilly Canada ("Lilly Canada") sold in Canada in association with the PROZAC trademark. Although PROZAC was registered as a trademark, the appearance of the capsules was not.

The two Eli Lilly companies ("Lilly") attempted to restrain three Canadian pharmaceutical companies from marketing generic fluoxetine in capsules having a similar appearance after expiration of the patent for fluoxetine.

Lilly Canada distributed and sold a number of Lilly US products in Canada pursuant to a 1991 agreement which gave Lilly Canada the right to make and sell those products in association with certain trademarks, designs and packaging of Lilly US. The patent for fluoxetine was listed as a schedule to the agreements, as was the PROZAC trademark. However, no mention was made of the size, shape or color of the PROZAC capsules. Lilly Canada did not have the right to sublicense the rights it held under that agreement, as it was the only supplier of fluoxetine to the Canadian market between 1989 and late 1995. PROZAC fluoxetine was sold in 20 mg capsules with a green cap and a cream body, and 10 mg capsules with a green cap and a gray body. Anticipating the expiration of the patent in March 1996, Lilly Canada granted sublicenses in 1995 to two generic drug manufacturers, one of which was Pharmascience (PMS),

[*592] to distribute generic versions of certain Lilly products, including fluoxetine. The licensees acknowledged in the agreements that the "product appearance" of the products were trademarks of Lilly Canada and its affiliates. This was the first assertion by Lilly that it considered the capsule appearance to be a trademark.

In late 1995, the 1991 agreement between Lilly US and Lilly Canada was amended to "confirm" that Lilly Canada had always been licensed by Lilly US to use the product appearance in Canada. Further, the 1991 agreement was amended to allow Lilly Canada to sublicense rights it held under the agreement retroactively to the date of the license to PMS. In December 1995, the PMS product became available in the Canadian market. It was advertised and marketed as identical to PROZAC. Both dosage forms were sold in capsules identical in size, shape and color to the capsules used for PROZAC, and were made on the same production line. The only difference was that the Lilly Canada products referenced "Lilly" on the cap and PROZAC on the body of the capsule, while the PMS products had "trade dress LICD" on the cap.

The capsules used by the defendants were not in all respects identical to those used by Lilly Canada and PMS, but the differences were only obvious upon close inspection. The defendants Novopharm, Apotex and Nu-Pharm had NOVA, APO, and NU, respectively, printed in block letters on the body of their respective capsules.

Lilly's action failed. As in all size, shape and color cases, the key issue was whether the product appearance identified the source of the products, or merely identified to the patient a particular type and dosage of the drug in question. The court could not conclude that Lilly's capsule appearance had acquired the requisite reputation in the marketplace as a distinguishing feature of its products. In any event, the manner in which Lilly had licensed the trade dress and the use of the capsule appearance to signify both Lilly Canada and PMS as a source destroyed any distinctiveness of the trade dress.

On this point alone, the court held that the plaintiff's claim failed. The court could not interpret the 1991 agreement as granting to Lilly Canada the right to use the capsule appearance as a trademark. Nor could Lilly Canada establish that it had the right to use the capsule appearance by oral agreement because the license agreement had a clause which said that it could not be modified or amended except by a written document. Lilly argued that, even in the absence of a license of the trade dress pursuant to the agreement, its use of the product appearance would inure to the benefit of Lilly US because the parties are related companies that operate as a single business unit. However, there was no evidence before the court regarding the relationship.

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Lilly Canada also argued that the stock bottles provided to pharmacists carried a notice identifying Lilly Canada as a licensee of the Lilly US trademarks. This argument was relevant because, to the extent that public notice is given of the identity of the owner,

[*594] and the fact that the use of a trademark is licensed use, it shall be presumed, unless the contrary is proven, that the use is licensed by the owner of the trademark and the character and quality of the goods is under the control of the owner. However, the court said that such an argument could only prevail if the contrary was not proven and the agreements between the parties supported a contrary conclusion. Lilly could not avail itself of the special treatment for pharmaceuticals n140 because the products were not made by Lilly US.

Even if it could be assumed that the capsule appearance operated as an identifier of trade source and that Lilly's capsule appearance had acquired the requisite reputation in the marketplace, Lilly still had to demonstrate that the use of the capsule appearance by the defendants effected a misrepresentation. The court said that the appearance of the defendants' capsules did not lead a customer to request the products of the defendants rather than those of Lilly. The court held that Lilly had not proven that the defendants' sale of fluoxetine in capsules having an appearance similar to those of Lilly would result in any significant likelihood of confusion.

K. Trade Names

The new provisions apply to all use, advertisement or display of a trademark by a licensee as a trademark, trade name or otherwise. As mentioned above, under the prior registered user system, there was concern when a licensee used a mark in the corporate name of the licensee or in some other manner which did not serve to identify the mark as a trademark, even where a suitable license agreement authorizes such use. The new scheme explicitly removes this concern in a situation where the requirements are adhered to strictly.

L. Notice to Public

New Subsection 50(2) of the Act raises a rebuttable presumption of control where public notice has been given of the identity of the owner of the trademark, and that the use of the mark is a licensed use. In order to obtain the benefit of the presumption, it is not necessary to specify the identity of the licensee. If public notice is given in accordance with these requirements, a trademark owner will initially not be required to establish the existence of a license and that the character or quality of licensed goods or services has been under the control of the trademark owner. Rather, the burden of proof will be on the party challenging the distinctiveness of the trademark to prove that adequate control did not exist or was not exercised. If control does not exist or is not exercised, and a person can establish that the distinctiveness of the trademark may have been impaired, trademark rights may be lost. Therefore, it is important to appreciate that notice merely creates a rebuttable presumption in favor of the trademark owner. If the contrary is proven, even the notice will not be enough. n141 "Public notice" is not defined, but information on goods, n142 packaging n143 or advertising will no doubt meet the requirement. Information in public documents, by themselves, may not be sufficient. n144

For example, where the label stated that the product was "bottled under the authority of Coca-Cola Ltd.," who was the registrant, there was public notice of the fact that the use of the trademark was under the authority of the registrant. n145

Where there was evidence of hang tags indicating that the trademark was used under license, public notice was given of the fact that the trademark was used under license, thereby giving rise to the benefit of subsection 50(2). n146 Consequently, the use by the licensee inured to the benefit of the registrant.

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In Dynatech Automation Systems Inc. v. Dynatech Corp., n147 Dynatech Corp. argued that public notice had been given in its annual report that the trademark was owned by Dynatech Corp., and licensed to its related companies. However, the report did not provide any information about the trademark or its use by any licensees. Dynatech Corp. failed to establish that purchasers of the goods would have seen or read the report, and that the relationship between Dynatech Corp. and its related companies may have been in the public domain did not constitute "public notice" pursuant to Section 50(2).

In Russel & DuMoulin v. 947679 Ontario Inc., n148 the registrant's affidavit did not mention whether it had control, directly or indirectly, over the character and quality of the wares manufactured by the licensee, and there was no evidence that the registrant had such control. There was evidence that the packaging contained public notice that the products were manufactured under license, and that the licensee was an authorized user. However, there was no indication as to the identity of the licensor. Accordingly, the presumption of Subsection 50(2) did not arise and use by the licensee did not accrue to the benefit of the registrant and the registration was expunged.

In Eli Lilly v. Novopharm, discussed in detail above, n149 Lilly Canada also argued that since the stock bottles provided to pharmacists carried a notice identifying Lilly Canada as a licensee of the Lilly US trademarks, the court was required to presume that the use by Lilly Canada was licensed by Lilly US, and the character and quality of the goods was under the control of the trade dress owner. However, the court said that such an argument could only prevail if the contrary was not proven, and the agreements between the parties supported a contrary conclusion.

M. Distributors

While the language of Subsection 50(1) is broad by reference to the words "use, advertisement or display," the deeming provision should not apply to a distributor or reseller of products manufactured, packaged and labeled by the trademark owner. n150 For example, in Osler, Hoskin &

[*596] Harcourt v. The Registrar of Trade-marks, n151 the trademark owner manufactured tobacco in the United States, applied a label with the WRANGLER trademark to the package, and sold the goods to National Tobacco, a wholly owned subsidiary in Canada. The label said "Made in the USA for National Tobacco Co. Ltd." On appeal from a decision of the Trade-Marks Office in non-use proceedings, it was held that the trademark owner was not required to rely on subsection 50(1) to establish use of the mark.

However, uncertainties may exist when it is not clear whether the impression received by the public as to the source of the goods is the owner of the trademark or another person. In such circumstances, it may be advisable to ensure that a license agreement meeting the criteria be put in place between the parties so that the use of the trademark inures to the benefit of the owner.

O. Foreign Use

The legislation expressly mentions use of a trademark in any country. Therefore, a foreign trademark owner will be able to rely on the use of its trademark by a licensee located outside of Canada, and its foreign trademark registration may be a ground for securing registration in Canada on the basis of foreign use by a licensee. Up to now, use abroad by a licensee has not been recognized as sufficient for such purposes. It is not clear whether new Subsection 50(1) will affect the subsisting body of case law allowing one to curtail in certain circumstances the importation of gray goods. n152

P. Suits by Licensee

A licensee may have standing to institute proceedings for trademark infringement pursuant to Subsection 50(3). n153 Therefore, a

[*597] license agreement should address control of any such suit, validity of the registration and monetary awards.

Q. Retroactive Effect

The inclusion of the words "and is deemed always to have had" in Subsection 50(1) suggests that the new scheme expressly applies both to past and future use, advertisement or display of a trademark. The new legislation is declaratory in that it stipulates that controlled use of a mark under a license pursuant to the conditions set forth will be deemed to have always had the same effect as use by the trademark owner. Therefore, the amendments have retroactive effect, and arguably cure previous defects in registered user arrangements or failures to record licensees as users, if the use by the licensee was controlled by the licensor pursuant to a license. It appears that, if a trademark was used under license prior to the new law taking effect without compliance with the registered user provisions, such use should not detrimentally affect the mark. However, if there was no license and no control, it appears that the new regime will not cure past defects. n154

In Eli Lilly, n155 a written confirmatory license did not deem use by the licensee prior to the granting of a confirmatory license to be use by the licensor for the purposes of Subsection 50(1). The court said that the deeming provision may cure the situation in which a license existed but had not been registered. The provision does not deem use prior to the granting of a license to be use that enures to the benefit of the owner.

In the Unitel Communications Inc. v. Bell Canada n156 expungement action, Bell argued that even if certain users of the marks were not registered as required under the prior regime, agreements entered after the new licensing regime was introduced cured any defect that may have existed. However, the court held that the traffic agreements between Bell and the Stentor members did not include provisions to enable Bell to exercise control over the services of the Stentor members.

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V. Recommendations

To protect a licensed trademark in Canada, it is advisable for trademark owners to comply with the new provisions by (i) having appropriate agreements, (ii) exercising quality control over the goods and services offered in association with the trademark, and (iii) requiring licensees to give appropriate notice of the trademark owner and that the use is a licensed use. The arrangements between the owner and the licensee should include an agreement that gives the trademark owner the right to control the character and quality of the licensee's wares and services, and provides a mechanism for the trademark owner to actually exercise control over the licensee on a periodic basis. Arrangements should then be made to actually exercise such control. It is also prudent to ensure that the licensee uses a notice which identifies the trademark owner and the fact that the trademark is being used under license. This public notice may be given on packaging, advertising or promotional materials used in connection with the licensee's goods or services.

If the only agreement in place between the trademark owner and the licensee is a prior registered user application with quality controls and the right of inspection, executed by the trademark owner and the licensee, it would likely be acceptable as a license agreement under the new regime. However, it is crucial that the agreement not only be in place, but that the licensor exercise actual control over the licensee. Where the only agreement in place between the trademark owner and a licensee is a registered user application in related company format, namely one which merely stipulates that the licensor and licensee are related companies and does not specifically deal with the control of the character or quality of licensee's goods or services, or where there is no arrangement in place, it is advisable for the trademark owner and the licensee to enter into a written license agreement which covers the marks.

The following is a summary of practice tips which emerge from the first five years of the new regime:

- (1) Whenever a person other than the owner of a trademark is the source of goods or performs services in association with the trademark, such person should be licensed.
- (2) Even where the licensor and the licensee are related entities, such as where the licensee is a wholly-owned subsidiary of the parent, there should be a license agreement with appropriate controls and exercise thereof.

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(3) The license must provide that the owner has the right to control the character and quality of the goods or services with which the trademark is used by the licensee. Control must be exercised, either directly or indirectly. Direct control may be exercised by defining a standard for the goods and services and ensuring compliance therewith.

(4) The standards for the goods and services of the licensee may be set by the trademark owner or by reference to those of a third party.

(5) Indirect control may be exercised through an agent or a sublicensee, provided that the trademark owner has, and exercises, ultimate control.

(6) Unregistered trademarks, trade dress and trade names should be licensed and controlled in the same way as registered trademarks.

(7) The licensee should give notice on goods, packaging and/or advertising of any licensed use, and the identity of the trademark owner. A license agreement should impose this obligation on a licensee.

(8) Any license agreement should consider the potential for a licensor being held liable for product liability in connection with goods manufactured or sold, or services performed by a licensee in association with the trademark, and should have appropriate control, indemnification and insurance provisions.

(9) A license agreement should address the right, if any, of a licensee to sue for trademark infringement and related matters.

(10) Where a licensee was registered as a user, ensure that the registered user provides that the trademark owner can control the character and quality of the goods or services offered in association with the trademark.

(11) Where trademark use has occurred without a written license agreement, any confirmatory license agreement should, to the extent reflective of the circumstances, cover the period of such use.

(12) Distributors of goods need not be licensed. However, when the impression is given to the public that a distributor is the source of the goods, the distributor should be licensed.

While the abolition of the registered user provisions has decreased the possibility of a franchisor, collateral merchandiser or other licensor losing rights in its trademarks due to non-compliance with the very technical requirements of the Act, there is a greater burden on a trade-mark licensor in Canada to establish that it has the right to maintain, and

[*600] that it is in fact maintaining control over the use of its mark by its licensees. It is therefore essential for a trademark owner to exercise its rights of control over licensees' use of its mark.

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n2 Sheldon Burshtein, Contractual Considerations in Licensing: Key Provisions in Drafting License Agreements, Annual Symposium on Licensing Intellectual Property: The Legal and Business Issues, The Agreements, Annual Symposium on Licensing Canadian Institute.

n3 S.C. 1952-53, c. 49, as amended, R.S.C. 1985, c. T-13 (Can.).

n4 See, e.g., Dubiner v. Cheerio Toys & Games Ltd. [1966] 44 CANADIAN PAT. REP. 134, 147 (Ex. Ct.), aff'd, [1967] 48 CANADIAN PAT. REP. 226 (Can. Sup. Ct.).

n5 R.S.C. 1985, c. T-13, 2.

n6 Id.

n7 See, e.g., Dobbs & Co. v. Robert Crean & Co. [1930] S.C.R. 307, 316 (Can. Sup. Ct.).

n8 Wilkinson Sword (Canada) Ltd. v. Juda [1967] 51 CANADIAN PAT. REP. 55, 87 (Ex. Ct.).

n9 See, e.g., Coca-Cola Co. of Canada Ltd. v. Pepsi-Cola of Canada Ltd. [1940] S.C.R. 17, 29 (Can. Sup. Ct.).

n10 See, e.g., Chalet Bar B-Q (Canada) Inc. v. Foodcorp Ltd. [1983] 66 CANADIAN PAT. REP. 2D 56 (Fed. Ct. App.); contra Gray Rocks Inn Ltd. v. Snowy Eagle Ski Club Inc. [1972] 3 CANADIAN PAT. REP. 2D 9, 21 (Fed. Ct., Trial Div.) (mark was not lost

even though plaintiff let a closely associated, but technically distinct, entity use the mark).

n11 See, e.g., *Dubiner v. Cheerio Toys & Games Ltd.* [1966] 44 CANADIAN PAT. REP. 134, 147 (Ex. Ct.), aff'd, [1967] 48 CANADIAN PAT. REP. 226 (Can. Sup. Ct.).

n12 Trade Marks Act, S.C. 1952-53, c. 49, 49 (Can.).

n13 Trade Marks Act, S.C. 1952-53, c. 49, 49(7) (Can.).

n14 *Dubiner*, 44 CANADIAN PAT. REP. at 147.

n15 Trade Marks Act, S.C. 1952-53, c. 49, 49(7) (Can.).

n16 *Dubiner*, 44 CANADIAN PAT. REP. at 145 (defendant's refusal to allow plaintiff to inspect defendant's goods, a term of the licensing agreement, meant that defendant automatically forfeited all rights to use the mark).

n17 Trade Marks Act, S.C. 1952-53, c. 49, 49(3) (Can.).

n18 Trade Marks Act, S.C. 1952-53, c. 49, 49(5) (Can.).

n19 *Wilkinson Sword (Canada) Ltd. v. Juda* [1967] 51 CANADIAN PAT. REP. 55, 71 (Ex. Ct.) ("[T]he mere fact that one incorporated company controls another is not sufficient by itself to establish that the controlled company carries on business as agent of the controlling company").

n20 *S.C. Johnson & Son Ltd. v. Marketing Int'l Ltd.* [1980] 44 CANADIAN PAT. REP. 2D 16 (Can. Sup. Ct.). The same was true even if a registered user application had been filed before the user had not been registered. *Imperial Dev., Ltd. v. Imperial Oil, Ltd.* [1984] 79 CANADIAN PAT. REP. 2d 12 (Fed. Ct. Tr. Div.).

n21 R.S.C. 1985, ch. T-13, 2 (Can.).

n22 See, e.g., *Sarco Canada Ltd. v. Sarco Co.* [1968] 56 CANADIAN PAT. REP. 80, 81 (Ex. Ct.) (Sarco Canada Limited allowed its wholly-owned American subsidiary to use the name Sarco (Canada) Limited. Sarco Canada lost its mark SARCO).

n23 *Weight Watchers of Ontario Ltd. v. Weight Watchers Int'l Inc.* [1972] 8 CANADIAN PAT. REP. 2D 118, 125 (Fed. Ct., Trial Div.) (the plaintiff's use of the defendant's trademark under the licensing agreement before the agreement and registered user were cancelled "is deemed use by the defendant under s. 49(3) of the Trade Marks Act." This was true even though the plaintiff allegedly had breached the licensing agreement earlier).

n24 S.C. 1993, c. 15 (Can.).

n25 R.S.C. 1985, c. T-13, 50(1) (Can.).

n26 R.S.C. 1985, c. T-13, 50(2) (Can.).

n27 R.S.C. 1985, c. T-13, 50(3) (Can.).

n28 R.S.C. 1985, c. T-13, 50(1) (Can.).

n29 Id.

n30 Id.

n31 Id.

n32 Id.

n33 R.S.C. 1985, c. T-13, 50(2) (Can.).

n34 R.S.C. 1985, c. T-13, 50(3) (Can.).

n35 Id.

n36 Patent & Trademark Institute of Canada, Report of the Licensing Committee: Section 50 of the Trade-marks Act [1996] 13 C.I.P.R. 91, 94 (the "Committee Report").

n37 Dubiner v. Cheerio Toys & Games Ltd. [1966] 44 CANADIAN PAT. REP. 134, 145 (Ex. Ct.), aff'd, [1967] 48 CANADIAN PAT. REP. 226 (Can. Sup. Ct.).

n38 See, e.g., Enterprise Rent-A-Car Co. v. Singer [1996] 66 CANADIAN PAT. REP. 3D 453, 481 (Fed. Ct., Trial Div.) (use by closely held subsidiaries enures to the benefit of the trademark owner).

n39 Committee Report, *supra* note 36 at 94.

n40 Id.

n41 See, e.g., Sheldon Burshtein & Eileen M. McMahon, Recent Developments in Franchisor Liability in Canada [1987] Franchise Legal Digest 17.

n42 [1995] 61 CANADIAN PAT. REP. 3D 12 (Fed. Ct., Trial Div.).

n43 Id. at 54.

n44 Id. at 69.

n45 Id. at 61.

n46 Id. at 62.

n47 Id. at 63.

n48 Id. at 69.

n49 Id.

n50 [1995] 63 CANADIAN PAT. REP. 3D 570, 572 (Trade Marks Office Hearing Officer).

n51 [1996] 69 CANADIAN PAT. REP. 3D 514, 516 (Trade Marks Office Hearing Officer).

n52 Opposition Board, September 29, 1994, No. 286 at 1-2 (unreported).

n53 [1995] 65 CANADIAN PAT. REP. 3D 252, 254-55 (Trade Marks Office Hearing Officer).

n54 Id. at 255-56.

n55 Opposition Board, February 4, 1994, No. 53 (unreported).

n56 Two cases, both unreported, October 24, 1996 (Trade Marks Office Hearing Officer).

n57 [1996] 66 CANADIAN PAT. REP. 3D 453, 481 (Fed. Ct., Trial Div.) (use "by Enterprise U.S.'s closely held subsidiaries is use which accrues to Enterprise U.S. . . .").

n58 Id.

n59 Id.

n60 Dracket Co. of Canada Ltd. v. American Home Prod. Corp. [1968] 55 CANADIAN PAT. REP. 29, 34 (Ex. Ct.).

n61 Committee Report, *supra* note 36 at 96.

n62 Id.

n63 Id.

n64 Id.

n65 R.S.C. 1985, c. T-13, 14(1) (Can.) (uses "or" to separate subparagraphs which are read conjunctively).

n66 Doral Boats Ltd. v. Bayliner Marine Corp. [1986] 10 CANADIAN PAT. REP. 3D 289, 294 (Fed. Ct. App.) (finding that the word "or" linked subparagraphs (a) and (b) of the Industrial Designs Rules, C.R.C. 1978, c. 964, 11(A)).

n67 R.S.C. 1985, c. T-13, 50(1) (Can.).

n68 Enterprise Rent-A-Car Co. v. Singer [1996] 66 CANADIAN PAT. REP. 3D 453, 461 (Fed. Ct., Trial Div.).

n69 Quarry Corp. v. Bacardi & Co. [1996] 72 CANADIAN PAT. REP. 3D 25, 29 (Fed. Ct., Trial Div.); Bereskin & Parr v. Coca-Cola Ltd. [1995] 64 CANADIAN PAT. REP. 3D 118, 121 (Trade Marks Office Hearing Officer); American Cyanamid Co. v. Storley Pharm. Ltd. [1997] 74 CANADIAN PAT. REP. 3D 571, 574 (Trade Marks Opposition Board); Re Niagara Frontier Hockey LP [1995] T.M.O.B. No. 183 at 2-3 (Trade Marks Opposition Board).

n70 Gowling, Strathy & Henderson v. Foodmaker, Inc. [1996] 69 CANADIAN PAT. REP. 3D 243, 246 (Trade Marks Office Hearing Officer).

n71 Enterprise Rent-A-Car Co., 66 CANADIAN PAT. REP. 3D at 463; American Cyanamid Co., 74 CANADIAN PAT. REP. 3D at 574; Gowling, Strathy & Henderson, 69 CANADIAN PAT. REP. 3D at 246; United Distillers Glenmore, Inc. v. El Toro Restaurant & Pizzeria Ltd. [1996] 70 CANADIAN PAT. REP. 3D 346, 349 (Trade Marks Office Hearing Officer).

n72 Re Niagara Frontier Hockey LP [1995] T.M.O.B. No. 183 at 2-3 (Trade Marks Opposition Board).

n73 MCI Communications Corp. v. MCI Multinet Communications Inc. [1995] 61 CANADIAN PAT. REP. 3D 245, 254 (Trade Marks Opposition Board). See the discussion in the text of footnote 102.

n74 15 U.S.C.A. 1055 (1997 & Supp. 1998).

n75 [1996] 66 CANADIAN PAT. REP. 3D 453 (Fed. Ct., Trial Div.).

n76 Id. at 481.

n77 [1996] 72 CANADIAN PAT. REP. 3D 25, 29 (Fed. Ct., Trial Div.).

n78 [1995] 64 CANADIAN PAT. REP. 3D 118, 121 (Trade Marks Office Hearing Office).

n79 Id.

n80 Id.

n81 [1996] 69 CANADIAN PAT. REP. 3D 243, 246 (Trade Marks Office Hearing Officer).

n82 Id.

n83 [1996] 70 CANADIAN PAT. REP. 3D 346, 349 (Trade Marks Office Hearing Officer).

n84 Id.

n85 [1996] 66 CANADIAN PAT. REP. 3D 560 (Trade Marks Office Hearing Officer).

n86 Id. at 562.

n87 [1996] 67 CANADIAN PAT. REP. 3D 571, 576 (Trade Marks Office Hearing Officer).

n88 [1997] 74 CANADIAN PAT. REP. 3D 571 (Trade Marks Opposition Board).

n89 Id. at 574.

n90 [1995] T.M.O.B. No. 183 (Trade Marks Opposition Board).

n91 Id. at 4.

n92 Id. at 2.

n93 [1995] 61 CANADIAN PAT. REP. 3D 12 (Fed. Ct., Trial Div.).

n94 Id. at 69.

n95 [1995] 62 CANADIAN PAT. REP. 3D 86 (Trade Marks Opposition Board).

n96 Id. at 99.

n97 Id. at 98

n98 Id. at 99.

n99 [1996] 72 CANADIAN PAT. REP. 3D 89 (Trade Marks Office Hearing Officer).

n100 Re Niagra Frontier Hockey LP [1995] T.M.O.B. No. 183 (Trade Marks Office Hearing Officer).

n101 Id.

n102 MCI Communications Corp. v. MCI Multinet Communications Inc. [1995] 61 CANADIAN PAT. REP. 3D 245 (Trade Marks Opposition Board).

n103 Enterprise Rent-a-Car v. Singer, [1996] 66 CANADIAN PAT. REP. 3D 453 (Fed. Ct., Trial Div.); Stamos v. Belanger [1994] 57 CANADIAN PAT. REP. 3D 390 (Ont. Ct., Gen. Div.) and Rogers Bereskin & Parr v. Aprica Kassai Kabushiki Kaisha [1994] 52 CANADIAN PAT. REP. 3D 407 (Trade Marks Office Opposition Board).

n104 See, e.g., Ontario Statute of Frauds, R.S.O., 1990. c. S-19.

n105 *15 U.S.C. 45*.

n106 Section 2.

n107 [1996] 66 CANADIAN PAT. REP. 3D 453 (Fed. Ct., Trial Div.).

n108 [1997] 74 CANADIAN PAT. REP. 3D 571 (Opposition Board).

n109 [1995] 61 CANADIAN PAT. REP. 3D 245 (Trade Marks Opposition Board).

n110 Unreported, December 23, 1996 (Trade Marks Office Hearing Officer).

n111 Unreported, November 25, 1996 (Trade Marks Office Hearing Officer).

n112 [1996] 66 CANADIAN PAT. REP. 3D 570 (Trade Marks Office Hearing Officer).

n113 [1995] 64 CANADIAN PAT. REP. 3D 101 (Opposition Board).

n114 Subsection 51(1).

n115 Subsection 51(3).

n116 Subsection 51(4).

n117 Committee Report, *supra* note 36 at 100.

n118 See, e.g., the Health Protection Branch of Canada for pharmaceuticals.

n119 See, e.g., relevant federal and provincial legislation for toys.

n120 See, e.g., the Canadian Gas Association for gas equipment.

n121 See, e.g., the Canadian Standards Association for electrical equipment.

n122 W.G. Allen (Birmingham) Ltd. v. Lofchick [1994] 54 CANADIAN PAT. REP. 3D 486 (Opposition Board).

n123 [1995] 62 CANADIAN PAT. REP. 3D 564 (Opposition Board).

n124 [1995] 62 CANADIAN PAT. REP. 3D 394 (Opposition Board).

n125 Unreported, November 25, 1996 (Trade Marks Office Hearing Officer).

n126 [1995] 64 CANADIAN PAT. REP. 3D 93 (Opposition Board).

n127 Unreported, Opposition Board, February 28, 1995, No. 39.

n128 Unreported, Opposition Board, February 28, 1995, No. 38.

n129 Unreported, Opposition Board, January 17, 1995, No. 22.

n130 [1997] 75 CANADIAN PAT. REP. 3D 574 (Trade Marks Office Hearing Officer).

n131 [1995] 63 CANADIAN PAT. REP. 3D 441 (Opposition Board).

n132 Novopharm Ltd. v. Hoechst Aktiengesellschaft [1998] 76 CANADIAN PAT. REP. 3D 257 (Trade Marks Opposition Board).

n133 R.S.C. 1985.

n134 Id., Subsection 91(27).

n135 Id., Subsection 92(13).

n136 Committee Report, *supra* note 36 at 94; Stamos v. Belanger [1994] 57 CANADIAN PAT. REP. 3D 390 (Ont. Ct., Gen. Div.).

n137 [1996] 66 CANADIAN PAT. REP. 3D 453 (Fed. Ct., Trial Div.).

n138 The decision was a consolidation of three cases, Eli Lilly and Company and Eli Lilly Canada Inc. v. Novopharm Limited, T-2432-95; Eli Lilly and Company and Eli Lilly Canada Inc. v. Nu-Pharm Inc., T-2433-95; and Eli Lilly and Company and Eli Lilly Canada Inc. v. Apotex Inc., T-2434-95, [1997] 73 CANADIAN PAT. REP. 3D 371, (Fed. Ct., Trial Div.). See the discussion in Section J. below.

n139 Id.

n140 Section 51. See the discussion in F. above.

n141 Eli Lilly v. Novopharm [1997] 73 CANADIAN PAT. REP. 3D 371 (Fed. Ct., Trial Div.).

n142 Bereskin & Parr v. Coca-Cola Ltd. [1995] 64 CANADIAN PAT. REP. 3D (Opposition Board).

n143 Gowling Strathy & Henderson v. Samsonite Corp. [1996] 66 CANADIAN PAT. REP. 3D (Trade Marks Office Hearing Officer).

n144 Dynatech Automation Sys. Inc. v. Dynatech Corp. [1995] 64 CANADIAN PAT. REP. 3D 101 (Opposition Board). For a contrary view, see McLachlen, Helen, *Construing the Words "Public Notice" in Section 50(2) of the Trade-marks Act [1996]* 13 C.I.P.R. 115.

n145 Bereskin & Parr v. Coca-Cola Ltd. [1995] 64 CANADIAN PAT. REP. 3D 188 (Opposition Board).

n146 Gowling Strathy & Henderson v. Samsonite Corp. [1996] 66 CANADIAN PAT. REP. 3D 560 (Trade Marks Office Hearing Officer).

n147 [1995] 64 CANADIAN PAT. REP. 3D 101 (Opposition Board).

n148 [1997] 72 CANADIAN PAT. REP. 3D 572 (Trade Marks Office Hearing Officer).

n149 [1997] CANADIAN PAT. REP. 3D 371 (Fed. Ct., Trial Div.). See Section H. above.

n150 Osler, Hoskin & Harcourt v. The Registrar of Trade-marks (unreported) (Fed. Ct., Trial Div.) T-2261-95, Mr. Justice Richard, December 1, 1997.

n151 Id.

n152 See, e.g., Remington Rand Ltd. v. TransWorld Metal Co. Ltd. [1960] 32 CANADIAN PAT. REP. 99 (Ex. Ct.); Mattel Canada Inc. v. GTS Acquisitions Ltd. [1990] 27 CANADIAN PAT. REP. 3D 358 (Fed. Ct., Trial Div.); and Heinz Co. of Canada v. Edan Foods Sales Inc. [1991] 35 CANADIAN PAT. REP. 3D 213 (Fed. Ct., Trial Div.).

n153 Tonka Corp v. Toronto Sun Publishing Corp. [1990] 35 CANADIAN PAT. REP. 3D 24; (Fed. Ct., Trial Div.) and Mattel Canada Inc. v. Pierce [1989] 27 CANADIAN PAT. REP. 3D 552 (Fed. Ct., Trial Div.). See also Mattel Canada Inc. v. G.T.S. Acquisition and Nintendo of America Inc. [1989] 27 CANADIAN PAT. REP. 301, 358 (Fed. Ct., Trial Div.), criticized by Smith & Nephew Inc. v. Glen Oak Inc. [1996] 68 CANADIAN PAT. REP. 3D 153, 156 (Fed. Ct. App.).

n154 Eli Lilly Company v. Novopharm [1997] 73 CANADIAN PAT. REP. 3D 371 (Fed. Ct., Trial Div.).

n155 Id.

n156 [1995] 61 CANADIAN PAT. REP. 3D 12 (Fed. Ct., Trial Div.).