

1946

Sept. 30 &
Oct. 1.

Nov. 29.

BETWEEN:

STANDARD BRANDS LIMITED, PLAINTIFF;

AND

EDWIN JOHN STALEY, DEFENDANT.

Trade Mark—Petition to expunge—Unfair Competition Act, 22-23 Geo. V, c. 38, secs. 2 (h), 4 (1), 6, 10, 30 (1) (a) and 52 (2)—No trade mark right acquired by registration before use of same—"Person interested"—Trade mark "V-8"—Right to trade mark is acquired by "use" and not by invention—Defendant's trade mark ordered expunged from Register of Trade Marks.

Standard Brands Incorporated, a company incorporated in the United States, is the owner in the United States of a trade mark V-8 for use in association with a combination of vegetable juices and on November 29, 1943, applied to register the trade mark V-8 in Canada. The application was refused because of the prior registration of the trade mark V-8 on behalf of the defendant. The plaintiff is the assignee of Standard Brands Incorporated and has used and advertised the trade mark extensively in association with its wares.

In an action to expunge defendant's trade mark from the Register of Trade Marks it was shown that defendant in 1943 had registered the mark V-8 for use in association with a new drink and late in 1944 had commenced using the trade mark in the ordinary course of business. The Court found that the defendant acted in good faith and at the time he made his application he was unaware of the use of the trade mark by Standard Brands Incorporated. It was also admitted that the defendant did not use the trade mark in association with the wares either before registration or until nearly one year after registration of the mark because of certain orders of the Wartime Prices and Trade Board.

Held: That the plaintiff is a "person interested" within the meaning of s. 2 (h) of the Unfair Competition Act and therefore is entitled to maintain this action.

2. That registration under the Unfair Competition Act merely serves to confirm title to a trade mark which has already been established by use, and no trade mark right can be acquired by registration made under the Act before use since valid registration cannot be obtained unless there has been use.
3. That even if defendant had been prohibited from manufacturing a new product and the trade mark invented by him could not be used he would have no right in the trade mark as it is the use and not the invention that creates the right.
4. That the defendant not having acquired any right by the registration of his mark the same must be expunged from the Register of Trade Marks.

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ACTION by plaintiff herein to have defendant's trade mark expunged from the Register of Trade Marks.

The action was tried before the Honourable Mr. Justice O'Connor, at Ottawa.

E. G. Gowling K.C., Andre Forget and J. C. Osborne,
for plaintiff.

J. M. Bullen, K.C. for defendant.

The facts and questions of law raised are stated in the reasons for judgment.

O'Connor J., now (November 29, 1946) delivered the following judgment:

This is an action by the plaintiff to expunge from the Register of Trade Marks maintained under the Unfair Competition Act, 1932, the trade mark "V-8", as applied to non-alcoholic beverages of all kinds, registered on the application of the defendant on the 5th November, 1943, as Number N.S. 17968/68.

This court is given jurisdiction over such matters both under section 22 of the Exchequer Court Act, R.S.C., 1927, chap. 34, and under section 52 of the Unfair Competition Act, 1935.

Standard Brands Incorporated, a Company incorporated in the United States of America, through a series of assignments, became the owner in the United States of the trade mark "V-8" for use in association with a combination of vegetable juices, together with the goodwill of the business associated with the said mark. The business associated with the trade mark had been carried on for a number of years in the United States, and had been extensively advertised. Some of the publications in which the advertisements appeared have a substantial circulation in Canada. Two small sales of its products were made in Canada in 1939. Standard Brands Incorporated assigned all rights in it for the Dominion of Canada to the plaintiff and to the said trade mark and goodwill associated therewith.

On the 29th November, 1943, Standard Brands Incorporated, the plaintiff's immediate predecessor in title, applied to register the trade mark "V-8", and the applica-

tion was rejected because of the prior registration of the trade mark "V-8" which had been made on behalf of the defendant. An appeal from this decision of the Registrar is pending in this court.

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In 1940 the defendant originated a food beverage to which was added five vitamins and three minerals, and caused to be registered the trade mark "Vigor 8" to be used in association therewith. He proposed first to adopt the trade mark "V-8" but after consulting with an advertising agency, adopted and registered a trade mark "Vigor 8".

In the spring of 1943, he started to prepare a new drink with a tomato juice base to which was added the same five vitamins and three minerals, and he proposed to use the trade mark "V-8" in association therewith. At that time he called for designs for advertising the product under the trade mark "V-8", but he did not accept the designs which were prepared for him at that time. He completed his experiments in the fall of 1943, but the wares were not produced at that time. Having decided on the trade mark "V-8" he then made application to register the same and his application was accepted by the Registrar.

He commenced using the trade mark "V-8" in association with the wares in the ordinary course of trade and commerce in the fall of 1944. See paragraph 6, Agreement between counsel—Exhibit 1.

The defendant contends that he did not use the trade mark "V-8" before the fall of 1944 in association with the wares by reason of (a) the orders of the Wartime Prices and Trade Board, and (b) because his product is a seasonal one and he got his registration of the trade mark after the pack in the 1943 season. The relevant provisions of the orders of the board are:—

Order No. 184 of 5th November, 1942:—

3 (1) Except upon obtaining a permit from the Director of Licensing and in accordance with the terms and conditions of such permit;

(a) . . .

(b) . . .

(c) no manufacturer carrying on business on the effective date of this order shall manufacture, convert, assemble or otherwise process for sale any goods of any class and kind unless he manufactured, converted, assembled or otherwise processed for sale the same class and kind of goods during the twelve months preceding the effective date of this order.

(d) . . .

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Order No. 284 of 5th June, 1943, under the heading of
 "New Businesses" provided:—

5. (1) If you wish to form, commence or acquire any business which was not carried on by you on November 2, 1942, you must first obtain a permit from the Director of Licensing appointed by the Wartime Prices and Trade Board, and you must comply with the terms and conditions of any permit that may be granted to you . . .

Under the heading "Changes in the Classes and Kinds of Goods and Services Dealt In" it was provided:—

7. (1) If you carried on business on November 2, 1942,

(a) . . .

(b) as a manufacturer, you must not manufacture any goods of any class and kind unless you manufactured the same class and kind of goods during the twelve months preceding November 2, 1942;

(c) . . .

unless you first obtain a permit from the Director of Licensing.

Counsel for the defendant contends that the plaintiff is not entitled to institute this action under section 52 of the Unfair Competition Act because subsection 2 provides that:

52. (2) No person shall be entitled to institute under this section any proceeding calling into question any decision given by the Registrar of which such person had express notice and from which he had a right to appeal.

And that the plaintiff having appealed from the Registrar's refusal to grant its application to register the trade mark "V-8" because of a prior registration of the trade mark "V-8" by the defendant, that the plaintiff is a person who had express notice and a right of appeal within the meaning of the subsection.

In my opinion the decision that is called into question in these proceedings is the Registrar's decision to grant registration to the defendant of the trade mark "V-8", and of that decision the plaintiff did not have express notice or a right of appeal.

On the facts in this case I can come to no other conclusion than that the plaintiff is clearly a "person interested" within the meaning of section 2 (h) and is therefore a person entitled to bring this action.

Whether the plaintiff is entitled to the trade mark "V-8" in Canada, or whether "V-8" infringes "Vigor 8" are not issues in this action.

The sole issue before the Court is whether or not the defendant is entitled to maintain his registration.

The first ground of attack is that the defendant adopted and registered the trade mark "V-8" with full knowledge of the rights of the plaintiff and its predecessors in title to the said trade mark and in contravention of the provisions of the Unfair Competition Act.

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The evidence given by the witnesses for the plaintiff showed that the plaintiff had used and advertised the trade mark extensively in association with its wares, and the publications carrying these advertisements have substantial circulation in Canada. There was also evidence of two small sales of the plaintiff's wares in Canada during 1939.

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Under section 10 there is a presumption that the trade mark was knowingly adopted unless the defendant establishes he was in ignorance of the use of the same mark and that in adopting it he acted in good faith and believed himself entitled to do so.

The defendant's evidence, however, was strongly confirmed by the evidence of independent witnesses. I was impressed by these witnesses, Lloyd G. Janes and G. F. Hayhurst, and I accept their evidence.

I hold on the evidence before me that at the time of the adoption of the trade mark, the defendant was in ignorance of the use of the same by the Standard Brands Incorporated in the United States, and that in adopting it the defendant acted in good faith and believed himself entitled to adopt and use it.

The second ground of attack is that the defendant before applying for registration did not use the trade mark in association with wares, and it should not, therefore, have been granted and should be struck out.

It is admitted that the defendant did not use the trade mark in association with the wares either before registration or until nearly a year after registration of the mark for the reasons already set out.

There is no evidence before me that the plaintiff ever applied for a permit under these Orders, but I agree with the decision of both the defendant and the plaintiff that it would have been contrary to the spirit of these Orders to introduce in Canada a new ware such as the plaintiff was ready to create and such as the plaintiff manufactured in the United States, having regard to the shortage of cans and labels.

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It is quite clear, however, that the defendant had another object in mind in registering this trade mark. That was to prevent anyone using any abbreviation or any adoption of the component elements of his trade mark "Vigor 8". This is set out in paragraph 5 of his statement of defence and admitted in question 164 of the examination for discovery.

But assuming that he intended to use the trade mark "V-8" in association with the new drink, but felt he should not do so in wartime and that he also desired to register it with the object of protecting his registered trade mark "Vigor 8", the fact remains and it is not in dispute that neither before the registration of the trade mark nor until nearly a year after such registration did he use "V-8" in association with such drink or with wares of any kind.

Under the common law the only way in which a trade mark could be acquired was by use.

To what extent has this position been changed by the Unfair Competition Act, 1932? Can trade mark rights be acquired by registration under the Act before use?

Decisions under any other Act are of little assistance in cases under this Act.

Whatever may be or may have been the position under other acts, in my opinion the whole scheme of the Act is based on the acquisition of a trade mark right by use. And in my opinion such right cannot be acquired by registration made under the Act before use for the simple reason that valid registration cannot be obtained unless there has been "use".

Registration under the statute merely serves to confirm the title, which has already been established by use. *Fox on Trade Marks*, pp. 44-5.

Under section 2 (*m*) "Trade Mark" means a symbol which *has become adapted* to distinguish particular wares . . . from other wares . . . and *is used* by any person in association with wares entering into trade and commerce for the purpose of indicating to dealers . . . of such wares that they have been manufactured by him . . .

The Act further provides:—

4. (1) The person who, in association with wares, first uses or makes known in Canada, as provided in the last preceding section, a trade mark or a distinguishing guise capable of constituting a trade mark, shall be

entitled to the exclusive use in Canada of such trade mark or distinguishing guise in association with such wares, provided that such trade mark is recorded in the register existing under the Trade Mark and Design Act at the date of the coming into force of this Act, or provided that in compliance with the provisions of this Act he makes application for the registration of such trade mark within six months of the date on which this Act comes into force, or of the date of his first use thereof in Canada, or of the date upon which the trade mark or distinguishing guise was first made known in Canada, as provided in the last preceding section, and thereafter obtains and maintains registration thereof under the provisions of this Act.

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The exclusive use of a trade mark in Canada is given to a person (a) who *first uses* the trade mark provided (b) that in compliance with the provisions of the Act he makes application for the registration of such trade mark within six months of the date . . . of his *first use* thereof in Canada.

What constitutes "use" is set out in section 6,—

6. For the purposes of this Act a trade mark shall be deemed to have been or to be used in association with wares if, by its being marked on the wares themselves or on the packages in which they are distributed, or by its being in any other manner so associated with the wares at the time of the transfer of the property therein, or of the possession thereof, in the ordinary course of trade and commerce, notice of the association is then given to the persons to whom the property or possession is transferred.

If the "use" as defined in section 6 has been made, the person then and only then can apply to register the trade mark because "the provisions of this Act" mentioned in section 4 (1) include the requirements of section 30:—

30. (1) Any person who desires to register a trade mark under this Act otherwise than pursuant to a judgment, order or declaration of the Exchequer Court of Canada shall make an application in writing to the Registrar in duplicate containing

(a) a statement of the date from which the applicant or named predecessors in title has or have used the mark for the purposes defined in the application and of the countries in which the mark has been principally used since the said date.

So that to obtain registration the applicant must make an application in writing containing a statement of the date from which the applicant . . . has . . . used the mark . . . and of the countries in which the mark has been principally used since the said date.

If a person invents a trade mark and without use makes application to register the same, he would be in the same position as the defendant was when he made application. He would have to state a date from which he had used (as

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defined by section 6) the mark and the countries in which the mark had been principally used since that date and this he could not do.

Only by making a statement that was not true could he obtain registration, because if he stated that there had been no use of the mark, the application would be refused because under the Act "use" as defined by section 6 is clearly a condition precedent.

In this case, however, the defendant stated in his application, Exhibit 2:—

3. The applicant has used the mark since October 1, 1943 on wares ordinarily and commercially described by the applicant as non-alcoholic beverages of all kinds.

4. Such use by the applicant has been principally in the following countries:—Canada.

These statements were not true and were made in order to obtain registration, and resulted in registration being obtained.

Assuming that the Orders of the Wartime Prices and Trade Board absolutely prohibited the manufacture of a new product and that the trade mark invented by the defendant could not be "used" within the meaning of section 6, then it is quite clear that he has no "right" in the trade mark because it is the "use" not the "invention" that creates the "right". Audette, J., in *Jones v. Horton* (1). And not having used it he was not in a position to make application to register it under this Act. He did not acquire any "right" in obtaining registration by the method he adopted.

The entry as it appears on the Register does not, in my opinion, accurately express or define the existing rights of the defendant.

There will be judgment ordering to expunge from the Register of Trade Marks maintained pursuant to the Unfair Competition Act, 1932, the trade mark "V-8" in question registered by the defendant on the 5th November, 1943, under Number N.S. 17968/68 with costs.

Judgment accordingly.