

BETWEEN :

FRANK GATTUSO AND MATTEO }
GATTUSO LIMITED }

PLAINTIFFS;

Montreal
1968

July 3, 4,
9-11

Ottawa
July 30

AND

GATTUSO CORPORATION LIMITED DEFENDANT.

Trade Marks—Unregistered trade name—Unregistered trade mark—Passing off—Ingredients of—Transfer—Whether effective—Use of registered trade mark by stranger—Whether “distinctive”—Invalidity of registration—Misleading public as to wares—Rights to trade mark arising from use—Power of court—Declaratory judgment—Trade Marks Act, s. 2(f), 7(b), 18(1)(b), 19.

A food products business founded by P in 1935 was transferred by him in 1944 to a partnership composed of himself and his two brothers and in 1946 transferred by the partnership to a company they controlled which in 1953 transferred it to defendant, at that time its wholly-owned subsidiary. Certain food products of the business were sold during the years 1935 to 1966 under the trade marks “Savoy” and “Savoia” with labels indicating that the goods were packed by or for “Savoy Products Registered” or “Savoia Products Registered”. The first of these trade names was registered by P under the Quebec *Partnership Registration Act* in 1940, but no business was carried on under either name. In 1943 P became registered owner of the trade mark “Savoy” and transferred that mark to his brother Frank in 1966 after the three brothers had ceased to control defendant. Plaintiff company, which was incorporated at that time, carried on business in the same food products as defendant, using identical labels containing the “Savoy” or “Savoia” trade marks, and Frank sold such goods to the trade as its agent.

Held, an action by Frank and plaintiff company for infringement of the above trade names and trade marks must be dismissed but defendant was entitled to relief against plaintiffs.

1. It was not established (a) that Frank carried on business under the trade names or (b) that defendant had used the trade names to pass itself off as Frank or its goods as Frank’s. (Art. 1835 of the Quebec *Civil Code* respecting the legal consequences of registration of a partnership does not affect the matter).
2. It was not established that P retained ownership of the unregistered trade mark “Savoia” after he disposed of his business to the partnership in 1944 (assuming it is possible in law for a person to own an unregistered trade mark when he was not carrying on any business).
3. Assuming that Frank was owner of the registered trade mark “Savoy” its registration was invalid at the time this action was commenced because that mark was then being used by defendant and therefore

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was not "distinctive" within the meaning of s. 2(f) of the *Trade Marks Act*: hence its registration was invalid (s. 18(1)(b)) and conferred no rights on Frank (s. 19).

4. In directing public attention to plaintiff company's wares in such a way as to cause or be likely to cause confusion in Canada between its wares and those of defendant plaintiff company contravened s. 7(b) and defendant was entitled to relief against plaintiffs.
5. Defendant was not entitled to a declaration that it was true owner of the registered trade mark "Savoy" and that the register should be amended accordingly: it did not acquire ownership of the trade mark by transfer from the previous owner and was merely entitled to use the mark by reason of its user of the mark which, the evidence showed, had been abandoned by P, its registered owner.
6. The court was not satisfied that it had power to make a declaration that defendant is the sole owner of the unregistered trade mark "Savoia" and the two trade names.

ACTION AND COUNTERCLAIM.

Samuel Wex for plaintiffs.

Samuel Godinsky, Q.C. for defendant.

JACKETT P.:—This is an action and a counterclaim based largely on the same facts. The action is based on a registered trade mark "SAVOY", an unregistered trade mark "SAVOIA", a "trade name 'SAVOY PRODUCTS REGISTERED'" (*registered under the Partnership Declaration Act* of the Province of Quebec), a "trade name 'SAVOIA PRODUCTS REGISTERED'", and a "get-up" or design of a certain label, to all of which the plaintiff Frank Gattuso claims ownership. The second plaintiff, Matteo Gattuso Limited, alleges that it is the exclusive user of the registered trade mark "SAVOY", "the registration whereof is presently pending".

During argument, the claim in respect of the "get-up" or design of a label was abandoned by counsel for the plaintiffs and I need say no more about it. Similarly, during argument, counsel for the plaintiffs abandoned any claim by the corporate plaintiff and the action will therefore be dismissed as against that plaintiff.

The pleadings are prolix and plead so much evidence that it is impossible to establish by reading them what facts are relied on by the parties as being material facts

that constitute the respective causes of action or substantive defences, and what are pleaded (contrary to the rules of pleading) merely as evidentiary facts that may tend to prove or disprove such material facts. No good purpose would be served by analyzing the pleadings. I shall content myself with revealing as I discuss the matter what, as I understood counsel, are the facts upon which they relied.

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Very briefly, the facts may be summarized as follows:

1. The defendant carries on a business of importing, manufacturing, packing and selling certain kinds of foodstuffs, the history of which business is as follows:

- (a) One Pasquale Gattuso founded the business as a very young man in 1935;
- (b) In 1944 Pasquale Gattuso transferred the business to a partnership consisting of himself and two brothers, Frank Gattuso and Matteo Gattuso, which partnership did business under the name "P. Gattuso Wholesale";
- (c) In 1946 the partnership transferred the business to a corporation, Gattuso Olive Oil Corporation (hereinafter referred to as the "Olive Oil Corporation"), in which the three Gattuso brothers thereafter owned all the shares; and
- (d) In 1953 the Olive Oil Corporation transferred most of the assets of the business to the defendant company (which the Gattuso brothers had caused to be incorporated to carry on the business and in which the Olive Oil Corporation owned all the shares until 1966), and the defendant has carried on the business since that time.

2. Throughout the period from 1935 to 1966 Pasquale Gattuso, who was president of both of the companies to which I have referred, was the dominating personality in the operation of the business.

3. Throughout that same period also, the goods of the business had been sold under various trade marks of which "GATTUSO" was the one used on most of the

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goods sold and which represented the best class of goods sold. Among the other trade marks used were "SAVOY" and "SAVOIA" (which were, apparently, in the minds of the Gattuso brothers, interchangeable) which were used on cheaper goods that were sold to meet low-priced competition. When the "SAVOY" or "SAVOIA" mark was used, the trade name under which the business was carried on (i.e., Pasquale Gattuso, P. Gattuso Wholesale, Gattuso Olive Oil Corporation, or Gattuso Corporation, Limited) was not shown on the label, which bore, instead, an indication that the goods had been packed by, or for, "SAVOY PRODUCTS REGISTERED" or "SAVOIA PRODUCTS REGISTERED", although, in fact, there was no person carrying on business under either of such appellations during any part of the period 1935 to 1966.

4. In 1966 the Olive Oil Corporation sold a controlling interest in the defendant company to persons not connected with the Gattuso family.

5. The Gattuso brothers ceased to work for the defendant before this action was commenced.

6. In 1940 Pasquale Gattuso filed a declaration under certain provincial legislation that he was carrying on business under the name "SAVOY PRODUCTS REGISTERED". In 1968, after this action was started, he filed a declaration that he had ceased so to carry on business. In fact, he had never carried on business under that name, but his connection with the business in question had been as already indicated, i.e., proprietor until 1944, managing partner until 1946, and president of the operating company until 1966.

7. In 1943 Pasquale Gattuso became registered owner of the trade mark "SAVOY", under the *Unfair Competition Act* and, on November 7, 1966, after the control of the defendant company had been disposed of, he executed a transfer of this registered trade mark to the plaintiff Frank Gattuso, who became the registered owner of the trade mark.

8. After the controlling interest in the defendant company had been disposed of, on August 12, 1966, the plaintiff, Matteo Gattuso Limited, was incorporated and started carrying on business in the same wares as the defendant, using labels to all intents and purposes the same as those described above as having been used by the defendant when utilizing the "SAVOY" or "SAVOIA" trade marks.

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The individual plaintiff's case is based on the registered trade mark "SAVOY" and on the contention that Pasquale Gattuso had retained in his personal ownership until 1966 the unregistered trade mark "SAVOIA" and the so-called trade names "SAVOY PRODUCTS REGISTERED" and "SAVOIA PRODUCTS REGISTERED", and that such rights had then somehow been passed to the individual plaintiff.

So far as the so-called trade names are concerned, counsel for the plaintiff has not been able to suggest to me how a person can, apart from statute, have any right in respect of a trade name except where he can show that he was carrying on business under such a name and that some other person has been so using it as to pass himself or his goods or services off for such person or his goods or services. There is no statute relied on here as conferring any special rights on Frank Gattuso in respect of the so-called trade names. There is no suggestion that Frank Gattuso has carried on any business under either of those names. There is no suggestion that any case has been made out that the defendant has, in fact, been passing itself or its wares off as Frank Gattuso or wares manufactured or sold by Frank Gattuso. I reject the claim based on the so-called trade names. I should add that, while it was not suggested that the registration of one of the names in question was under a statute that conferred any special rights on the person on whose behalf it was registered if such person did not carry on business under that name, it was argued that, by virtue of Article 1835 of the Civil Code, that registration operated to make any use of the registered

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name a reference to the person filing the declaration. Article 1835 reads as follows:

1835. The allegations contained in the declaration mentioned in the last preceding article cannot be controverted by any person who has signed the same, nor can they be controverted, as against any party not being a partner, by a person who has not signed but was really a member of the partnership at the time the declaration was made; and no partner, whether he has signed or not, is deemed to have ceased to be a partner until a new declaration has been made and filed aforesaid, stating the alteration in the partnership.

The words particularly relied upon were those after the semicolon: “. . . no partner . . . is deemed to have ceased to be a partner until a new declaration has been made and filed . . .” As I read these words, they can have no application except to a real partnership. I do not understand how they can apply to a person carrying on business alone under a name other than his own. In any event, in the absence of some express statutory provision to the contrary, I take it to be a question of fact as to whether the words “packed” by or for “SAVOY PRODUCTS REGISTERED” or “SAVOIA PRODUCTS REGISTERED”, as used through the years by the different proprietors of the business presently carried on by the defendant indicated to the public or the trade that the goods in association with which they were used were made, packed or sold by the proprietor of that business or by Pasquale Gattuso personally, who managed the business for the proprietor and happened to be the person who had filed the declaration under the *Partnership Act* in 1940. The evidence is clear that, in recent years at least, the words in question meant to the trade that the goods were sold by the defendant. There is no evidence that they had any special meaning to any member of the retail purchasing public, but I should be very surprised to learn that any person buying an item of such goods for consumption took the trouble to search the partnership registry. There is certainly no evidence that any member of the public thought that, by reason of the appearance of the words in question, either alone or with one of the trade marks, they were getting wares of Pasquale Gattuso when they were in

fact getting wares of the defendant. The plaintiff has not, therefore, any claim for passing off by virtue of these words.¹

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With reference to the unregistered trade mark "SAVOIA", I find the claim that Pasquale Gattuso had retained ownership of it in fact unproven even if it were possible in law for a person to own an unregistered trade mark when he is not carrying on any business. The facts are clear that, under the management of Pasquale Gattuso, this mark was used, after 1944, by the partnership, after 1946 by the Olive Oil Corporation, and for thirteen years after 1953 by the defendant, to distinguish the wares of the person or persons carrying on this business from the wares of others. During that period, Pasquale Gattuso did not carry on business on his own behalf and could not, therefore, have used the trade mark to distinguish goods made or sold by him from those made or sold by others. It follows that, if he did retain it, he must have abandoned it. In fact, it was either passed with the business each time the business changed ownership or, if it did not so pass, with Pasquale Gattuso's full concurrence, it was so used in the business, particularly during the period from 1953 to 1966 when the business was operated by the defendant, that it became a trade mark that distinguished the goods of the person carrying on that business from the goods of others. I find no facts that could give rise to any right in the trade mark belonging to Pasquale Gattuso or to the plaintiff Frank Gattuso.²

I turn now to the registered trade mark "SAVOY".

The individual plaintiff's case on the registered trade mark "SAVOY" is that he was, during the relevant period,

¹ By written notes filed by counsel for the plaintiffs after these reasons were prepared, the claim based on the so-called "trade names" seems to have been dropped, but very much the same argument about the effect of registration of the trade names was put forward as a basis for the claim that Frank Gattuso owned the unregistered trade mark "SAVOIA".

² By written notes filed since these reasons were prepared, counsel for the plaintiffs endeavours to support Frank Gattuso's right to the unregistered trade mark "SAVOIA" on the reasoning put forward during argument to support the claim based on the "trade names" that had been "registered". I have already indicated my view of this argument

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the registered owner and had, therefore, by virtue of section 19 of the *Trade Marks Act*, “the exclusive right” to use the mark in Canada in respect of the indicated wares. That section reads as follows:

19. Subject to sections 21, 31 and 65, the registration of a trade mark in respect of any wares or services, unless shown to be invalid, gives to the owner the exclusive right to the use throughout Canada of such trade mark in respect of such wares or services.

(The defendant admits using the trade mark “SAVOY” and that it intends to continue using it. This admission was made by its counsel during argument.) The defendant says that, while the plaintiff was the “registered owner” of the registered trade mark, he was not in fact the “owner” of the mark. Alternatively, the defendant says that, if the plaintiff was the owner of the registered trade mark, the registration is invalid.

As I am satisfied that, if the plaintiff was the “owner” of the registered trade mark, the registration has been “shown”, by the evidence adduced by the plaintiff, “to be invalid” (compare section 19), I do not find it necessary, in connection with the main action, to decide whether the plaintiff was the owner of the mark. Either the plaintiff was the owner of the registered trade mark, in which event the registration was invalid and there can be no claim based on the registration under section 19, or the plaintiff was not the owner of the registered mark, in which event the plaintiff can have no cause of action under section 19 based on the registered trade mark. (Any action by the plaintiff on the trade mark “SAVOY” as an unregistered trade mark, apart from the statute, would fail for the reasons that have already been given in connection with the trade mark “SAVOIA”.)

I now turn to my reasons for concluding that, on the assumption that the individual plaintiff is the “owner” of the registered trade mark, the registration of the mark is invalid.

Section 18(1)(b) says that the registration of a trade mark is invalid if “the trade mark is not distinctive at the time proceedings bringing the validity of the registration

into question are commenced". This action brings the validity of the registration of the trade mark "SAVOY" into question and, at the time it was commenced

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- (a) according to the assumption on which I am discussing the matter, Frank Gattuso was the owner of the mark, and
- (b) according to the evidence adduced by the plaintiffs, the mark had been used exclusively in Canada in association with wares of the defendant from 1953 to 1966, since when Matteo Gattuso Limited may also have used the mark in association with its goods.

In these circumstances, I am of opinion that the trade mark was not "distinctive" when this action was commenced, if Frank Gattuso was the owner of the registered trade mark, because section 2(f) defines "distinctive" in relation to a trade mark to mean a trade mark that actually distinguishes the wares "in association with which it is used *by its owner*" from "the wares...*of others*". (The italics are mine.) As Frank Gattuso did not, and "others" did, use the registered trade mark in association with goods, in my view, it cannot be said that the mark was "distinctive" within the meaning of the statutory definition when this action was commenced if Frank Gattuso was "its owner". On that assumption, therefore, the registration of the trade mark is invalid by virtue of section 18(1)(b) and Frank Gattuso can have no rights under section 19 of the *Trade Marks Act*.

The plaintiffs' action against the defendant will be dismissed for the above reasons.

I turn now to the counterclaim.

As I view the matter, the principal complaint of the defendant against the plaintiffs is that the corporate plaintiff has been directing public attention to its wares in such a way as to cause or be likely to cause confusion in Canada, at the time it commenced so to direct attention to them, between its wares and the wares of the defendant, contrary to section 7(b) of the *Trade Marks Act*, and that

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the individual defendant has been a party to such action. I am of opinion, and I so hold, that the evidence adduced by the plaintiffs establishes the soundness of this complaint.

The evidence establishes that Frank Gattuso thought that he had the right to use the two trade marks and the two "trade names" in question, that he purported to authorize the corporate plaintiff to use them, that the corporate plaintiff used labels with such trade marks and "trade names" that were, for all practical purposes, identical with those that the defendant had been using for many years in such manner that they identified its wares to the trade, and that Frank Gattuso, acting as an agent or salesman for the corporate plaintiff, sold goods (and has every intention of continuing to sell goods) with such labels to the trade. By so doing, the corporate plaintiff, acting through the agency of Frank Gattuso, directed attention to its wares in such a way as to cause, or be likely to cause, confusion between its wares and the defendant's wares.³

In these circumstances, the Court's power to grant relief is to be found in section 52 of the *Trade Marks Act*, which reads:

52. Where it is made to appear to a court of competent jurisdiction that any act has been done contrary to the provisions of this Act, the court may make any such order as the circumstances require including provision for relief by way of injunction and the recovery of damages or profits, and may give directions with respect to the disposition of any offending wares, packages, labels and advertising material and of any dies used in connection therewith.

The trial was conducted on the basis that there should be a reference as to damages or profits if the right thereto should be established. It would seem clear that the defendant should have judgment for damages or profits to be

³ By written notes filed since these reasons were prepared, counsel for the plaintiffs argues that there can be no claim under section 7(b) as long as the registered trade mark is registered in the individual plaintiff's name. This argument seems to be based on a view of section 19 that it confers an exclusive right on the owner of the registered mark *until* the Court delivers a judgment declaring it invalid. It seems clear that this view is fallacious. What section 19 says is that the registration of a trade mark gives the exclusive right of user to the owner "unless shown to be invalid". If the registration is "invalid", it, of course, confers no rights.

ascertained by a reference and for an injunction. This is a case in which there should also be a direction under the concluding words of section 52 designed to ensure that the plaintiff does not continue its offending operations. On a motion for judgment, I shall be glad to hear counsel as to the form that the pronouncement should take.

The defendant also has a claim for a declaration that it is the "sole and true owner" of the unregistered trade mark "SAVOIA" and the so-called trade names. Counsel was, however, unable to refer me to any principle upon which such a declaration might be based.

The defendant claims a declaration that it is the true owner of the registered trade mark "SAVOY" and that the Register should be amended accordingly. This claim raises difficult questions. While I am inclined to the view that a transfer of a registered trade mark may be effective before the transfer is registered,⁴ and that a transfer may well be inferred from the facts even though the registered owner has not executed a formal transfer in writing, I am satisfied in this case that Pasquale Gattuso, acting on a misconception of the nature of a trade mark, never did intend to transfer to anybody else, prior to the time he executed the transfer to Frank Gattuso, his registered trade mark "SAVOY". It may well be that, as between Pasquale Gattuso and P. Gattuso Wholesale, there was an implied transfer of the trade mark "SAVOY" in 1944 as part of the goodwill in the business, and that, similarly, as between P. Gattuso Wholesale and the Olive Oil Corporation, there was an implied transfer of the trade mark in 1946 as part of the goodwill of the business, but when, in 1953, the Olive Oil Corporation transferred the assets of the business to the defendant, I cannot find any explicit transfer of the trade mark and I accept the evidence of Pasquale Gattuso that it was not intended to transfer any goodwill or trade mark and, particularly, it was not intended to transfer this mark (which he thought that he owned personally) to the defendant. My view is that, at that time,

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⁴ See *Wilkinson Sword (Canada) Limited v. Juda* [1968] 2 Ex. C.R. 137.

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the goodwill and the trade marks had been abandoned by all the previous operators of the business when they ceased to operate the business and that the goodwill and the trade marks were then adopted by the defendant and the trade marks were then used to distinguish its goods, and were so used by the defendant that, by the time the corporate plaintiff came into existence, the mark "SAVOY" in fact distinguished the defendant's wares from those of others. My conclusion is, therefore, that the defendant is not the owner of the registration but is entitled to use the trade mark. It did not acquire this right by transfer from a previous owner but by user itself of a mark that, while it had been previously used by someone else, had been abandoned by such person. If the defendant wishes to be registered owner, it will have to apply, as contemplated by the statute, for registration. The claim for a declaration of ownership of the registration is therefore rejected.⁵

⁵ The defendant endeavoured to support its claim to ownership of the registered trade mark on another theory, *viz*,

- (a) there were certain assertions that Pasquale Gattuso and Frank Gattuso were operating the business in partnership from a time prior to the registration of the trade mark in Pasquale's name that was evidenced by a certificate issued on July 30, 1943,
- (b) a contention that, if the trade mark was being used by such partnership, Pasquale must have registered it as trustee for the partnership, and
- (c) a contention that, on each change of ownership of the business, Pasquale, the registered owner, then held the registered trade mark in trust for the new operator of the business, so that, when he transferred it to Frank on November 7, 1966, Frank would hold it as trustee for the defendant.

I reject this contention because

1 on the evidence I hold that the balance of probability is that there was no partnership between Frank and Pasquale prior to 1944 and, as I have already indicated, Pasquale carried on the business during that period on his own behalf;

2 if the mark, at the time of registration, had been adopted by a partnership as contended, rather than by Pasquale personally, Pasquale would not have been entitled to register it (section 22(1) of the *Unfair Competition Act*), and a registration is "invalid" "if the applicant for registration was not the person entitled to secure the registration" (section 18(1) of the *Trade Marks Act*); and

3. having regard to the intrinsic nature of a trade mark, I do not understand how one person can own a trade mark in trust for another, *Campare United States Steel Products Company v. Pittsburg Perfect Fence Co.*, (1917) 19 Ex. C.R. 474.

Finally, as an alternative to its claim that it owns the registered trade mark, the defendant claims a declaration that the registration is invalid. For the reasons already given this claim will be granted.

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My conclusions may be summarized as follows:

1. The plaintiff's action is to be dismissed.
2. The defendant will have judgment on the counter-claim against both plaintiffs by reason of "passing off" contrary to section 7(b) of the *Trade Marks Act* for
 - (a) damages or profits to be determined on a reference,
 - (b) an injunction, and
 - (c) a suitable direction under the concluding words of section 52 of the *Trade Marks Act*.
3. The defendant will have judgment on the counter-claim based on the finding that the registration of the trade mark "SAVOY" is invalid.
4. Otherwise, the counterclaim will be dismissed.

Upon the application for judgment in accordance with these reasons, in addition to hearing counsel on the form that the pronouncement of judgment should take, I will hear counsel on the question of costs.