

THE UNFAIR COMPETITION ACT.

From ancient times it has been the custom of tradesmen to use some means to distinguish their wares from those of their competitors. For many years the most common method of identifying goods has been by the use of trade marks, and unscrupulous merchants early learned the art of pirating the trade marks or names of well-known business houses. As a necessary consequence, the aid of the Courts was invoked to prevent this dishonest practice, and by the middle of the 18th century English cases had established the principle that a person is entitled to protection against the use by another of such devices as enable the latter to pass off his goods upon the public as those of the former. Cases for relief against such unfair competition soon became quite numerous, and many difficulties arose in connection with their prosecution. The Courts at first dealt with all classes of unfair competition cases on the same basis, but owing to the fact that the greater percentage of them involved the infringement of trade marks, these became a specialized branch of the field. Eventually, in 1862, the English Merchandise Act made it a misdemeanour to counterfeit a trade mark and provided a penalty for dealing in falsely marked goods. Our first Canadian statute granting protection to trade marks was passed in 1861, after which followed the first Trade Mark and Design Act of 1868, 31 Vict. 55.

The importance of protecting merchants and the public against the improper use of trade marks and trade names has long been generally recognized throughout the world, and in 1883 the representatives of several nations met at Paris and formed an International Convention for the protection of industrial property. Most civilized countries, except Russia, have now become members of this Convention, and its terms provide for the passing of more or less uniform legislation by the various contracting powers to carry into effect the provisions agreed upon. Canada acceded to the Convention in 1923, and two amendments were made to our Trade Mark and Design Act since that time to give effect to some of its provisions, but its terms had never been fully carried out by the Canadian Parliament, nor had any general revision of our trade mark laws been attempted until the enactment of the present Unfair Competition Act. It is therefore not surprising to find that our recently repealed legislation was in many respects inadequate to meet the requirements of modern business conditions.

By the passing of the Act under discussion, Parliament has accomplished the twofold object of fulfilling Canada's obligations as a member of the International Convention, and at the same time effecting many improvements in our trade mark laws. The scope of the Act has been enlarged to give statutory protection to trade names as well as trade marks, but the subject of trade marks still occupies the major part of the provisions of the Act.

Under the new Act, trade marks are classified as either word marks or design marks, and for the first time we have a statutory definition of a registerable trade mark. The repealed provisions referred to various classes of marks which the Minister might refuse to register, but they did not lay down any principles on which he should rely in the exercise of his discretion when deciding whether or not an alleged trade mark contained the essentials necessary to permit its registration under the statute. Section 26 of the present Act specifically states what trade marks shall be registerable. This section does not, however, contain an exhaustive list of all valid trade marks. For instance, the Minister formerly had power to register geographical and proper names if the applicant could satisfy the requirements of Rule 10 by showing that they had, through their use, become adapted to distinguish the goods of the applicant. This practice proved unsatisfactory, and applications for registration of such marks, as well as any others which cannot be allowed by the Minister under the other provisions of the Act, must now be made to the Exchequer Court under Section 29. An appeal may also be taken to the Exchequer Court from any decision of the Minister rejecting an application for registration.

Probably the most important change which the new Statute makes is with respect to the effect of the registration of trade marks. Parliament has not dealt with the manner of acquiring or transferring a trade mark, as that is a matter which may come within the jurisdiction of the Provincial Governments under the British North America Act. Property rights in a trade mark are still acquired by user in association with the goods which the trade mark is intended to identify, with the exception that Section 3 (b) contains a provision giving protection to a mark used in another country of the Union and known in Canada through advertisements. If, however, the person who first uses or makes known a trade mark wishes to maintain the right to the exclusive use of it throughout Canada, he must now apply for registration within the time prescribed by Section 4 of the Act. As the law was before this Act, the first person to use a trade mark in Canada could obtain an exclusive right to it

for the entire Dominion irrespective of the time of registration, even though his use may not have been Dominion wide. For instance, if A adopted and registered a trade mark, which, although unknown to him, was already in use, but not registered, by B in another part of Canada, B could, nevertheless, have A's registration expunged, the trade mark registered in his own name and an injunction granted restraining A from further using the trade mark. And this might be done, notwithstanding the fact that both parties may have been using the trade mark concurrently in different parts of Canada for several years. The unfairness of such a situation is obvious. A mark might be totally unknown outside of the locality where it was actually used, yet its restricted and entirely local use conferred on the first user rights superior to those of a subsequently registered owner who adopted the same mark in ignorance of the other party's right. It was quite impractical for anyone wishing to adopt a trade mark to canvass the entire Dominion to ascertain if it was already in use by someone else and consequently, unless the trade mark was registered, the interested party wishing to adopt it for his use had no means of knowing whether a monopoly for all of Canada had already been acquired by another. Now, however, the first user must assert his claim to the exclusive use of the trade mark throughout the Dominion by registration within the prescribed time, or lose his statutory right to protection.

As a result of this change, questions as to the status of unregistered marks will most likely arise. Trade mark rights are necessarily based on either statute or common law, and, although this Act does not contain any provision similar to Section 45 of the English act, which expressly preserves rights of action against any person for passing-off, it is reasonable to assume that Parliament did not intend to interfere with this common law right, so that if a trade mark is unregistered, the owner may still bring an action for passing-off and obtain the same relief that was available to him before the passing of legislation relating to this subject.

The proprietor of any trade mark, irrespective of registration, may obtain redress under the provisions of the Criminal Code (R.S.C., Chapter 36, Sections 486-495) against anyone who, with intent to defraud, counterfeits his trade mark. Let us assume, however, that a person adopts, but does not register, a trade mark and it is used and known only in the Western Provinces. Suppose the same mark is subsequently adopted and registered under the Act by another, who is entirely ignorant of the first party's rights, and it is used by the latter exclusively in the Maritime Provinces. As

already pointed out, under the law prior to this legislation, the person in Western Canada being the first user, could, even after several years of concurrent use by both parties in these different localities, assert his claim to the exclusive use for all of Canada and have the subsequent user's trade mark expunged from the Register and his own registered. But under the new Act, he could not, after the expiration of the prescribed period, either register his own mark or bring an action to expunge the subsequent user's registration. Under these circumstances the first user is therefore only the holder of a common law trade mark and as such his right of action against infringers would be for passing-off. Since the basis of such an action is a false representation that the goods of the defendant are those of the plaintiff, the owner of an unregistered trade mark could not obtain an injunction to prevent the use of his trade mark by another in a locality where it is not known in connection with his goods. It is within the power of the Courts to grant an injunction restricted to a particular area, and if a statutory right to a trade mark has been acquired through registration by one who is not the first user, it would appear that the rights of all previous users of the same mark would now be restricted to the locality where it was used and known at the time of registration by the person who subsequently adopted it.

It is conceivable that a trade mark might be so well identified throughout Canada with the goods of a certain proprietor that everyone dealing in the same class of goods should be presumed to have knowledge of the trade mark, and that its use by anyone else would undoubtedly mislead the public. In such cases, protection for the trade mark throughout the entire Dominion could probably be maintained even if not registered, but as registration is a condition precedent to an action for infringement under the Act, the proprietor of such an unregistered mark would lose many advantages which are available in an action for infringement of a registered trade mark. The more common cases of conflict will most likely arise where the marks are not, in their early stages of use, known outside of one locality, and at common law, there is apparently no reason why two persons claiming the same trade mark could not use it simultaneously in different parts of Canada where it is identified with their respective goods, without either party being guilty of passing-off.

Provision has been made by Section 21 for conflicting claims arising out of the use of a trade mark prior to the coming into force

of the Act where neither party is entitled to restrain the other from continuing to use the trade mark in question.

General trade marks which were registerable under the former Act and endured perpetually without renewal, have been abolished. These became meaningless, in view of Court decisions establishing the principle that trade marks are valid only insofar as they are used in connection with the goods of the proprietor. Yet their presence on the trade mark register prevented others from obtaining registration for goods entirely different from those with which the owner used his general trade mark, unless a consent or court order was obtained restricting the scope of the registration. Hereafter, all applications must contain a list of the goods with which the applicant is commercially concerned, as well as a description of the goods to which the trade mark will be applied. No limitation has been placed by the Act on the number of classes of goods which may be included under one registration. Furthermore, Sections 42 and 43 permit the owner of a registered trade mark to amend it from time to time by adding thereto additional goods to which the use of the trade mark has been extended, without the necessity of making a further registration. This, of course, is subject to any intervening rights acquired by others in the trade mark for a different class of goods, prior to the application for amendment by the original user.

Registrations under the new Act may thus cover a very much broader range of goods than those which were allowed for specific trade marks under the old Act. The principle of restricting registrations to one class of goods, formerly adhered to in connection with specific trade marks, is followed in both England and the United States. In those countries, the trade mark Acts have divided merchandise into various classes and a separate registration is required to be made in connection with each class of goods with which the proprietor uses his trade mark. Although the English and United States system no doubt increases the number of trade mark applications, it incidentally increases the revenue of those countries and simplifies the individual registrations. The relative merits of the different systems should become apparent after the Canadian Act has been in force for a short time.

Among the more important additions to the class of registerable trade marks is standardization and territorial marks of non-trading associations. Section 12 carries out the terms of Article 7 *bis* of the Convention, which requires protection to be given to the trade marks of associations, the existence of which is not contrary to

the law of the country of origin. Heretofore, apart from the protection given to Labour Union labels, a non-trading association could not obtain protection under the Act for a mark used by the members of the association. The new provisions will be particularly valuable to scientific organizations which prescribe the specifications for the goods to which the trade mark is to be applied. Trade marks indicating that the goods are made under defined working conditions or by a defined class of persons or in a certain area, also come within the scope of the section.

It appears from the judgment of the Supreme Court in the case of *Bayer Company, Limited v. The American Druggists' Syndicate, Limited* (1924), S.C.R. 558, that the jurisdiction of the Court, under Section 42 of the Trade Mark and Design Act, to expunge a registration, was limited to removing an entry made without sufficient cause *at the time of registration*. Consequently, there may be numerous trade marks on the register to-day which have ceased to be used as such but which could not be expunged under the old Act because they were properly made in the first instance. The powers of the Court to expunge an entry have been greatly enlarged by Section 52, which permits any entry to be struck out or amended on the ground that "at the date of such application, the entry, as it appears on the register, does not accurately express or define the existing rights of the person appearing to be the registered owner of the mark." This provision will enable the register to be brought into line with the conditions existing at the time of the application to expunge or amend.

Many of the provisions contained in the Trade Mark and Design Act have been included in this Act, with changes in point of detail rather than substance. Taken as a whole, this statute imposes more definite obligations on the proprietor of a trade mark to secure its protection under the Act, but the ensuing advantages amply justify the changes which have been made.

E. G. GOWLING.

Ottawa.