See para. 27

Case Name:

CHEMICALS INC. AND OVERSEAS COMMODITIES LTD. v. SHANAHAN'S LTD.

[1951] B.C.J. No. 120

[1952] 1 D.L.R. 112

11 Fox Pat. C. 206

15 C.P.R. 1

2 W.W.R. (N.S.) 497

1951 CarswellBC 64

British Columbia Court of Appeal

O'Halloran, Sidney Smith, Bird JJ.A.

Judgment: March 30, 1951

(70 paras.)

Counsel:

Alfred Bull, K.C. and *J. A. MacLennan*, for appellant.

J. L. Farris, K.C. and *D. L. Vaughan*, for respondent.

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1 O'HALLORAN J.A.:--Chemicals Inc., a California manufacturer of a liquid paint cleaner it had registered in the U.S.A. in 1940 under the trade-mark "Vano", and Overseas Commodities Ltd. its Canadian distributor since early in 1946, appeal from the dismissal of their action against the respondent Shanahan's Limited, a British Columbia Company, which since 1943 has manufactured and marketed a liquid paint cleaner in Canada under the name of "Shano", the Canadian trade mark wherefor it has held since August, 1943, when it was registered in Canada.

2 "Vano" has never been registered in Canada although an unsuccessful effort was made to do so in August 1946. "Vano" was not sold in Canada until at least two years after "Shano" had been registered in Canada and sold in Canada under that name. Notwithstanding the foregoing, appellants founded their action for "passing-off", inducing breach of contract, trade libel, and for damages and injunction, upon the ground that since at least 1941, "Vano" has been advertised in Canada through United States magazines circulating in Canada and over United States radio stations heard in Canada.

3 It has been common ground throughout between the parties that the trade mark names "Vano" and "Shano" are enough alike to cause confusion in the trade, and in the minds of the purchasing public. If this similarity had not been so accepted by the parties a question might easily have arisen whether they are "similar" within the meaning of the *Unfair Competition Act*, 1932 (Can.), c. 38.

4 By s. 3 of the *Unfair Competition Act*, no one shall "knowingly adopt" for use in Canada any trade mark or distinguishing guise or anything similar thereto which--"(*b*) is already in use by any other person in any country of the Union other than Canada as a trade mark or distinguishing guise for the same or similar wares, and is known in Canada in association with such wares by reason either of the distribution of the wares in Canada or of their advertisement therein in any printed publication circulated in the ordinary course among potential dealers in and/or users of such wares in Canada."

5 Undoubtedly "Vano" was used in the United States and made known in Canada by advertising some 2 years before "Shano" came into existence. Hence if respondent knew that, then under s. 3(*b*) it could be debarred from using the name "Shano" in Canada. But the *Unfair Competition Act* does not stop with s. 3(*b*).

6 Section 4(1) provides: "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." (My italics.)

7 Since "Vano" was not used in Canada until some 2 years after "Shano" was used, we are concerned here only with the portions of s. 4(1) relating to "Vano" having been made known in Canada before "Shano" was either used or made known. Section 4(1) may then be read in this applicable abbreviated form: "The person who ... first makes known in Canada ["Vano"] as provided in the last preceding section ([s. 3(*b*)] as quoted) a trade mark ... shall be entitled to the

exclusive use in Canada of such trade mark ..., provided ... that he makes application for the registration of such trade mark within six months of ... the date upon which the trade mark ... was first made known in Canada, as provided in the last preceding section [s. 3(*b*)] and thereafter obtains and maintains registration thereof under the provisions of this Act."

8 But appellant Chemicals Inc. did not apply for registration of "Vano" in Canada within 6 months of the date upon which it was first made known in Canada in 1940 or 1941. It must follow therefore that the protection "Vano" received under s. 3 expired by reason of the failure to take advantage of s. 4(1). However "Vano" was given a further opportunity by s. 4(3) which reads in relevant part: "Notwithstanding the provisions of subsection one of this section (just quoted), the person who first ... makes known in Canada ... a trade mark ... may apply for and secure registration thereof after the expiration of any of the periods of six months specified by subsection one, provided the same or a similar trade mark ... has not been registered by another for use in association with the same or similar wares."

9 But "Shano" was registered in August, 1943, and "Vano" did not apply for registration until August, 1946--3 years later. It seems conclusive therefore that "Vano" having twice failed to take advantage of protective provisions of the *Unfair Competition Act*, it has lost all grounds it might have had to dispute the priority and validity of "Shano". The foregoing study of the statute satisfies me the construction put forward by counsel for the appellants must be rejected.

10 This interpretation of the *Unfair Competition Act* is fortified by an appraisal of the incredible economic consequences to Canada--consequences inconceivable any Canadian Parliament could have intended--if the statutory construction for which appellants' counsel have struggled were to prevail. Under appellants' construction a corporation of any state of the United States of America by doing what appellant Chemical Inc. has done here, could hold the Canadian market as its private preserve for 15 years before utilizing that market directly or indirectly by selling any of its goods in Canada; and when such state corporation did eventually decide to avail itself of this Canadian market preserve, it could at once destroy businesses of a competitive nature built up by Canadians in Canada during the interim, even though the trade marks under which such Canadian firms sold and advertised their goods throughout Canada, had actually been registered in Canada since the time 15 years earlier the state corporation claimed to acquire what appellants now set up in Canada as statutory "making known" rights under the *Unfair Competition Act*.

11 A great deal of time was spent in the trial Court [[1950] 2 D.L.R. 427, 11 C.P.E. 5] determining whether or not, when respondent applied for and obtained registration of "Shano" in August, 1943, it then knew (through its responsible officers) that "Vano" had been previously advertised in Canada. To my mind, with respect, in the circumstances here, that is not a determinative question. As I view it, with deference, it does not matter in this case whether respondent knew it or not, and see s. 9. The question arose here because of the expression "knowingly adopt for use" in s. 3 (and see also s. 10). But if the construction of the *Unfair Competition Act* I have adopted is correct, *viz.*, that the protection in s. 3(*b*) expires automatically

with the failure of "Vano" to obtain registration under s. 4(1) or s. 4(3), then the "knowingly adopt" provision falls with it. In other words, whether respondent knew of the prior "Vano" advertising in Canada, becomes material only if "Vano" had applied for registration within the limitation periods set out in ss. 4(1) and 4(3). To my mind ss. 3 and 4 are the master sections of the *Unfair Competition Act*, and all other provisions in that statute which relate to the present issue, must be read subject to ss. 3 and 4.

12 While, in my judgment, the foregoing disposes of any effective submissions advanced by counsel for appellants, there remains a point argued by counsel for respondent, which if it were accepted, would itself defeat the appellants' action and appeal, and would have rendered unnecessary any consideration whatever of the *Unfair Competition Act*. It is this: respondent alleged that appellant Chemicals Inc. licensed appellant Overseas Commodities Ltd. to use the name "Vano" (as if it were a patent) in respect to products manufactured in British Columbia by the latter company. It was argued that in Canada the proprietor of a trade mark cannot license its use, and see *Bowden Wire Ltd. v. Bowden Brake Co.* (1914), 31 R.P.C. 385 at p. 392, examined in *Siegel Kahn Co. v. Peggy Sage Inc.*, [1935], 2 D.L.R. 225, Ex. C.R. 1.

13 Counsel for the respondent submitted that the described compounding or preparation of "Vano" in this Province by appellant Overseas company was in law and fact a manufacturing of "Vano" in this Province under licence from the California corporation appellant Chemicals Inc. He based this on two grounds: (l)the language of the negotiating correspondence between the Overseas company and the California corporation, together with the agreement they finally concluded; and (2) upon a number of Court decisions which he submitted as applicable, such as *R. v. Woodhouse* (1926), 31 O.W.N. 263 (blending of teas); *Re H. Robinson Corp., R. v. Martin* (1937), 19 C.B.R. 22 [affd [1938], 3 D.L.R. 746, O.W.N. 243, 19 C.B.R. 246] (blending of wines) and *R. v. Biltrite Tire Co.*, [1937] Ex. C.R. 1 at p. 4 [affd [1937], 2 D.L.R. 417, S.C.R. 364] (retreading tires).

14 In answer counsel for appellants argued that whether manufacture took place must be determined by the nature of the preparation of the product done in California and British Columbia respectively, and not by the language the parties might loosely employ in their correspondence and agreement. Counsel emphasized that the evidence showed the chemical preparation was all done in California; that the formula therefor was not made known to the Overseas company; and that virtually all that was done in British Columbia was to add water in prescribed proportions and keep it agitated for a period.

15 I am satisfied, with respect, upon the evidence that the preparation in British Columbia cannot in fact be described as manufacturing. If it were, every person who adds boiling water to a prepared coffee mixture and stirs it would be a manufacturer; so would every person who makes a pot of tea.

16 Counsel for appellants adopted the reasoning of the learned trial Judge that the blending of tea (*R. v. Woodhouse, supra*) or blending of wines (*Re Robinson Corp., supra*) is not comparable to a case like the present, in which, as in the saccharine case (*McNicol v. Pinch*, [1906] 2 KB. 352) the

product received from California was in essence "Vano" before it was treated by the addition of water in British Columbia. If the California corporation had disclosed its basic formula to the Overseas company and had given leave to the latter to use it to describe a product manufactured by the latter in British Columbia, a situation would exist which is not found in this case.

17 The situation is somewhat comparable to that appearing in the *Coca-Cola* case (*Pepsi-Cola Co. of Can. Ltd. v. Coca-Cola Co. of Can. Ltd.*, [1940], 1 D.L.R. 161 at p. 170, S.C.R. 17 at p. 29 [affd [1942] 2 D.L.R. 657, 1 C.P.R. 293]) in which the syrup was manufactured and from it the beverage was made by adding carbonated water in some undisclosed proportions; sometimes the manufacturer itself added the carbonated water and sold it direct to retailers; sometimes the manufacturer sold the syrup to jobbers who in turn sold it to soda fountain owners the latter adding the carbonated water to it before selling to the consumer; sometimes also the manufacturer sold the syrup to bottling concerns who added the carbonated water and bottled and sold the beverage to retailers.

18 In the result, it is my judgment the learned trial Judge's conclusion ought to be upheld, that what appellant Overseas company did here was not the manufacture of "Vano", and that appellant Chemicals Inc. did not license the use of its United States trade mark "Vano" to appellant Overseas Commodities Ltd. Accordingly the argument regarding licence raised by counsel for the respondent must fail.

19 Other points were argued but by reason of the foregoing conclusions their decision, in my opinion at least, is unnecessary for the determination of the appeal.

20 I would dismiss the appeal.

21 SIDNEY SMITH J.A.:--The plaintiff, Chemicals Inc., an American corporation, began in 1940 to manufacture a paint cleaner that it called "Vano", and it obtained American registration of this trade name. This article was not sold in Canada until 1946, and it was only known in Canada to the extent that Canadians might hear or see the plaintiff's advertisement. These appeared in American magazines and were broadcast over the American radio. In 1943 the defendant, a local company, began manufacturing a paint cleaner under the trade name "Shano", for which name it obtained registration the same year under the *Unfair Competition Act*.

22 In 1946 Chemicals Inc. entered into a contract with the plaintiff Overseas Commodities Ltd., by which the latter got the agency for selling "Vano" in Canada. Chemicals Inc. applied to register the name "Vano" in Canada within 6 months of first bringing the article into Canada. Overseas Commodities Ltd. then entered into an arrangement for selling "Vano" with Kelly, Douglas & Co. Ltd., the details of which I need not consider. The clash between the plaintiffs and defendant occurred when the defendant's solicitors wrote to Kelly, Douglas claiming that the name "Vano" infringed the defendant's rights, and threatening suit, as a result of which Kelly, Douglas ceased to handle "Vano". Plaintiffs then sued claiming, *inter alia*, an injunction and damages for passing-off, for slander of goods, interference with contractual relations, &c.

23 The president of the Overseas company was at all times one Spence, the promoter and chief shareholder. Until 1944 he had been employed by the defendant company and had been with them in 1943 when the name "Shano" was adopted, being a salesman and makerup of formulas. He had made up the formula for "Shano", but had had nothing to do with registration of the name. I think the crux of this case is whether the defendant, when it applied to register the name "Shano", had knowledge of the article "Vano" and its trade name, or whether the defendant made its application in ignorance of this. If it had knowledge at the time, then the registration would be bad and ineffective in law.

24 Spence gave a good deal of evidence that Martin Shanahan, the defendant's president, had full knowledge of "Vano" at the material time in 1943. This was flatly denied by Shanahan, who stated that he never heard of "Vano" till its introduction into Canada in 1946. On this conflict of evidence the learned trial Judge found entirely in Shanahan's favour, holding that Spence was not a credible witness. Before us this finding was strongly attacked on grounds to which I have given much anxious reflection. But in the end I feel that I cannot disagree with it.

25 I do not find much to criticize in Shanahan's evidence. There are indeed some circumstances of suspicion about the defence, but Shanahan's evidence explained them all; the learned Judge believed him, and I am not prepared to hold he was wrong. I do not overlook that the onus of proving *bona fide* registration was on the defence under the Act. But onus is hardly material when the evidence is adequate.

26 One circumstance strongly relied on by the plaintiffs was that Chemicals Inc. had an advertising slogan: "If you are not using 'Vano' you are working too hard"; and three former employees of the defendant testified that in 1943 the same slogan, substituting "Shano" for "Vano", was much bandied about among the employees generally though no one would say that it had been used in Martin Shanahan's presence. This evidence to my mind proves nothing more than that at least one employee had been listening to or reading advertisements of "Vano" from American sources. A phrase like this with its possibilities for badinage and repartee, would naturally spread among employees handling "Shano", even those who had never heard the advertisements. Even if Shanahan had heard the phrase, since "Shano" had been substituted for "Vano", he would not naturally see any reference to a rival in it at all. So I cannot give any weight to this evidence.

27 Another point raised by the plaintiffs is that, even if personal knowledge cannot be brought home to Martin Shanahan, still Spence on his own story knew of "Vano" in 1943; he was then employed by the defendant, thus his knowledge was the knowledge of the defendant company. Plaintiffs base this argument on cases showing that the knowledge imputed to a company need not be the knowledge of a director or other high officer; but that knowledge of a mere employee, such as a secretary, may be enough. This principle is undoubted; but I do not see how it applies here. In general the authorities show that it only applies where the company has delegated to the employee the duty of investigating and ascertaining facts in the course of which duty he obtains the knowledge. I cannot find that those conditions are fulfilled here. The element of Spence's credibility

comes in here too.

28 However, the plaintiffs contend that even if they cannot bring home to the defendant knowledge of "Vano", when it registered the name "Shano" in 1943, still as a matter of law they need not do so. Their argument in this respect coincides with a criticism of Farris C.J.S.C.'s construction of s. 4 of the *Unfair Competition Act*, which is found in a report of his decision in [1950] 2 D.L.R. 427, 11 C.P.R. 5, 9 Pox Pat. C. 145. In his annotations the learned editor, Mr. Fox, expresses the view that the Chief Justice has misconstrued s. 4 of that Act. With respect, I am unable to agree with this view.

29 The Chief Justice has held in effect that if the first person to use a trade name in Canada applies, *bona fide* and without knowledge of any prior use elsewhere, for registration of the name, he is entitled to get registered in due course even though in fact the name was in use elsewhere; and once registration is obtained the applicant is entitled to the exclusive use of the name, even as against the person who has prior user elsewhere. Mr. Fox strongly controverts this finding. He quotes no authority, but claims that it is contrary to the clear language of s. 4. He puts his views thus (9 Fox Pat. C. at p. 147): "But the expression who 'first uses or makes known' can identify only one person and not two. The person who first does one of those things has exclusive rights over a person who comes later into the field. He has exhausted the right of registration; it belongs exclusively to him; no other person can acquire any such right; and if he does not exercise his right, neither can any other person. It is not a question of knowing or unknowing adoption. Knowing adoption has nothing to do with the right to register provided by Sec. 4."

30 After considering s. 4 and other sections, I think, with deference, that the Chief Justice is right and Mr. Pox wrong. Even if the first part of s. 4(3) can mean what the learned editor says it does, I find the language equally open to Farris C.J. S.C.'s construction. In fact, I think the latter is the more natural construction, for Mr. Fox's would make the reference to use superfluous, since "making known" would cover use. But there would be point in mentioning both if the Chief Justice is right, because a person may be the first to use a mark in Canada, though not the first to make it known. So the reference in s. 4(3) to "the person who first uses or makes known" in itself seems to me to favour the Chief Justice's view. If Mr. Fox were right the sentence would read "the person who first makes known". When I pass on to the latter part of s. 4(3) I find that his construction would make the proviso at the end meaningless. He says that the person who first made the trade name known cannot lose his priority, that registration by any other later can have no legal effect. But the proviso shows otherwise. I find other indications in the Act that it does not mean what Mr. Fox contends. On his construction the time restriction put by s. 4(1) on registration, even registration by the first to use or make a name known, would be meaningless, because he could lose nothing by not registering. Equally, if Mr. Fox were right the provisions in s. 3 and s. 8 that forbid knowing-adoption for use in Canada of a mark known to be already in foreign use, would be meaningless; for Mr. Fox says that the result is the same whether adoption is made with knowledge or without. I cannot put such a construction on the Act, with the greatest respect to the learned editor.

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

32 Plaintiffs' counsel and Mr. Fox have both urged that it would be unreasonable to believe the Legislature meant to give anyone who gets a trade name registered any priority over the earlier inventor of the name, even if the registrant acted in *bona fide* ignorance of the prior invention. Unreasonableness could not overcome the language of the statute. But in any event there is, as usual, something to be said on the other side. No one by registration (however *bona fide*) can obtain priority over the first user of a mark in Canada; so it is only a foreign manufacturer who has failed to introduce his goods into Canada who can lose out by failure to register. I think our Legislature deliberately adopted a policy whereby a foreign manufacturer who delays introducing his goods here does so at the risk of losing his rights. Deliberate filching of other people's marks is not countenanced; but a foreigner who delays does so at the risk of being defeated by honest duplication here.

33 Moreover, if the plaintiffs could come in here, 3 years after the defendant had honestly obtained registration and had honestly been advertising and acquiring goodwill, it is difficult to believe that the defendant would only be getting its deserts.

34 Since I hold that the defendant had acquired the exclusive use of the name, the solicitors' letter to Kelly, Douglas & Co. was justified; and no complaint can be based on it. It therefore becomes unnecessary to discuss several other claims raised by the plaintiffs, chiefly by the Overseas company. That company could have no better rights than its co-plaintiff, through whom it claims.

35 I have been assuming throughout that the names "Vano" and "Shano" are so alike as to deceive customers, since the parties have in effect so agreed. Otherwise, I might have had some doubts.

36 I would dismiss the appeal.

37 BIRD J.A.:--The appellant corporations appeal from the judgment of Parris C.J.S.C. [[1950] 2 D.L.R. 427, 11 C.P.R. 5] whereby the plaintiffs' claim for an injunction and damages for passing-off, for wrongful inducement of a breach of contract, and for trade libel, was dismissed.

38 The appellant Chemicals Inc. in September, 1940, having first used prior thereto in the United States of America the trade mark "Vano" in connection with a liquid household cleaner, became the registered proprietor in the U.S.A. of the said mark. Thereafter, this appellant first made the mark known in Canada by advertisement in various publications produced in the U.S.A. and circulated in that country as well as in Canada. In 1946 the said appellant used the trade mark "Vano" in Canada in connection with the said product and on August 20, 1946, made application to register the mark

in Canada under the *Unfair Competition Act* (hereafter referred to as the Act). It does not appear that the mark has since been registered.

39 Subsequent to the time when "Vano" was first made known in Canada by Chemicals Inc. but prior to its user therein, the respondent Shanahan's Ltd. in 1943 used a liquid paint cleaner in Canada under the name of "Shano" and on August 16, 1943, became registered in Canada under the Act as proprietor of that mark, which it continued to use thereafter.

40 No question arises here in regard to the similarity of the two marks. Counsel agreed below as well as before this Court that the marks are similar, within the definition in s. 2 (*k*) of the Act, and the action has proceeded throughout on that premise.

41 On July 31, 1946, soon after the appellants' product was first marketed in Canada under the mark "Vano", the respondent wrote Kelly, Douglas & Co. Ltd., a distributor of the said product for the appellant Overseas Commodities Ltd., demanding that the latter firm cease marketing the product under the name of "Vano" because of its similarity to the mark "Shano" under which the respondent was then marketing a like product. Consequent upon the receipt of this letter Kelly, Douglas & Co. Ltd. ceased to market "Vano".

42 Thereafter the appellants brought the action wherein the judgment now under appeal was pronounced.

43 Much of the evidence led on the trial was directed to the plaintiffs' allegation that the (defendant) respondent in breach of s. 3 of the Act, had knowingly adopted for use in Canada the mark "Shano", the same being similar to the appellants' mark "Vano" which was then in use in the U.S.A., a country of the Union, and which then had been made known in Canada. The learned trial Judge found for the defendant upon that issue and held that the defendant unknowingly and unwittingly adopted the mark.

44 Counsel for the appellants questions this finding both upon the evidence adduced as well as upon the ground that the respondent failed to rebut the presumption raised by s. 10 of the Act.

45 Since that finding was based in important features on the relative credibility of certain witnesses called by the respective parties as well as upon inferences drawn by the learned Judge from the testimony of these and numerous other witnesses, I do not consider, upon the application of the principles discussed in *McCann v. Behnke*, [1940] 4 D.L.R. 272, and in *Tremblay v. Beaumont*, [1946], 3 D.L.R. 514, S.C.R. 448, that it is open to this Court in present circumstances to reach a contrary conclusion, notwithstanding the presumption of knowing-adoption raised by s. 10 of the Act. Although no specific reference is made in the reasons for judgment to the burden imposed by that section upon one in the position of the respondent here, I conclude from the comments upon this issue, made by the learned Judge in his reasons, that the effect of his conclusions was to find that the respondent adopted the mark "Shano" in ignorance of the use of a similar mark by the appellant Chemicals Inc., and in so doing that the defendant acted in good faith,

believing that it was entitled to adopt and use the mark.

46 The appellants claim further that whether or not the respondent adopted the mark "Shano" for use in Canada knowing that it was similar to the appellants' mark "Vano", the appellants were entitled at common law to judgment for damages and an injunction for passing-off, since the appellants had established prior user of the mark "Vano". This proposition I think would have been unassailable if the appellants had established prior user of the mark "Vano" in Canada; for the controlling factor is prior use (*Jones v. Horton* (1922), 65 D.L.R. 33, 21 Ex. C.R. 330; *Bayer Co. v. American Druggists' Syndicate*, [1924] S.C.R. 558 at p. 569; *Crean & Co. v. Dobbs & Co.*, [1930], 3 D.L.R. 22 at pp. 30-1, S.C.R. 307 at p. 317), but I think such prior use must be prior use in Canada not in a foreign country: *Gold Medal Furniture Mfg. Co. v. Gold Medal Camp Furniture Mfg. Co.*, [1928], 1 D.L.R. 89, Ex. C.R. 65 [affd [1928], 2 D.L.R. 819, S.C.R. 575]. There Audette J., referring to *Jones v. Horton, supra*, said at p. 90 D.L.R., p. 67 Ex. C.R.: "The applicant for the registration . . . . must be the first user . . . . in Canada . . . . The law upon this question is well settled", and quoted with approval the observation of Tomlin J. in *Impex Electrical Ltd. v. Weinbaum* (1927), 44 R.P.C. 405 at p. 410: "'Foreign markets are wholly irrelevant, unless it is shown by evidence that in fact goods have been sold in this country with a foreign mark on them'" &c.

47 Here the appellants have established as of 1940 prior use and registration in the U.S.A. as well as having first made known the mark "Vano" in Canada, in terms of s. 3 of the Act, but the appellants were not shown to have made any sales in Canada of their product bearing that mark, nor did they use the mark in Canada until 1946, whereas the respondent used the mark "Shano" in Canada and marketed therein its product bearing that mark from and after the year 1943. In these circumstances I think this branch of the appellants' claim must fail, since the respondent has established first user in Canada.

48 As I understand the argument, the appellants' claim for damages and an injunction for passing-off is founded in the alternative upon the Act, *i.e.*, that whether or not respondent knowingly adopted the mark for use in Canada the appellants are entitled to judgment upon this branch of the claim, since:

1. Chemicals Inc. is entitled to exclusive use of the mark "Vano" in Canada, having first made that mark known in Canada and applied for registration thereof within 6 months of its first use in Canada;

2. The respondent did not become entitled to exclusive use of the mark "Shano" in Canada by its user therein in 1943 and subsequent registration under the Act, since it was not the first "to use or make known" that mark in Canada.

49 As to (1) counsel contends that the proprietor of "Vano" having in 1940, used the mark in the U.S.A. and at the same time made it known, as prescribed by s. 3 of the Act, was not required to

make application for registration under the Act prior to the expiration of a period of 6 months from its first use in Canada; that having applied for such registration within the latter period, the appellant thereby became entitled to its exclusive use in Canada.

50 Section 4 of the Act reads in part as follows:

> "4(1) The person who, in association with wares, first uses or makes known in Canada, as provided in the last preceding section [*i.e.*, s. 3] a trade mark . . . . shall be entitled to the exclusive use in Canada of such trade mark . . . . provided that in compliance with the provisions of this Act he makes application for the registration of such trade mark within six months ... .
>
> > "[A] of the date of his first use thereof in Canada, or
> >
> > "[B] of the date upon which the trade mark . . . . 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.
>
> (the letters here appended to the proviso periods for more convenient reference are not found in the statute)
>
> "(2) The use of a trade mark ... by a person who is not registered as the owner thereof pursuant to the provisions of this Act shall not confer upon such person any right, title or interest therein as against the person who is registered as the owner of the same or a similar trade mark ... .
>
> "(3) Notwithstanding the provisions of subsection one of this section, the person who first uses or makes known in Canada, in association with wares a trade mark . . . . may apply for and secure registration thereof after the expiration of any of the periods of six months specified by subsection one, provided the same or a similar trade mark ... has not been registered by another for use in association with the same or similar wares, but such application shall not be allowed or the registration of such trade mark made before the expiration of a period of six months from the date of such application."

51 Upon counsel's submission the proprietor of a mark which he has used in another country of the Union and has made known in Canada has thereby established under the section a right in perpetuity to that mark in priority to all others, so long as there is not abandonment; and that upon

registration within 6 months of the latest in point of time of the periods fixed by the proviso periods numbered [A] and [B] above, that person becomes entitled to its exclusive use.

52 Counsel contends that if the intent of the section had been otherwise, apt words could and would have been added to make the meaning clear, *i.e.*, by adding after the word "section" in proviso [B] of s. 4(1) the words "whichever is first in point of time".

53 In my opinion the respective periods of 6 months fixed for registration by the section must be taken to relate respectively to first user and to first making known, that is to say, if the applicant for registration rests his application on first user in Canada, he must apply within 6 months of the time when the mark was first used therein. Likewise, if the applicant relies on first making known he must apply within 6 months of so doing.

54 I think the intent of the Act is to afford to the person who first adopts a mark, protection for a limited time only, *i.e.*, 6 months from first user or first making known, depending upon which of the two factors the applicant relies; such protection being conditional in that application for registration must be made within the appropriate period of 6 months. If such application is not made the right is lost unless the provisions of s. 4(3) can be invoked.

55 Support for this interpretation of the section I think is found in the provisions of s. 4(3) whereby an extension of the several time limits for registration is given, subject to the fact that registration of a similar mark has not been made by another for use in association with similar wares.

56 I am, therefore, of the opinion that since the appellant Chemicals Inc. failed to register within 6 months of the date when it first made the mark known in Canada, it lost its prior right acquired thereby, subject however to its right to invoke s. 4(3) which we are told was not done here. Consequently I think the said appellant has failed to establish a right to exclusive use of the mark "Vano" in Canada.

57 The second proposition advanced on behalf of the appellant Chemicals Inc. is based upon the submission that under s. 4 of the Act one person and one person only is entitled to obtain registration of such a mark, namely, either the person (a) who first uses the mark in Canada, or (b) the person who, being the user of the mark in another country of the Union, first makes it known in Canada.

58 Counsel contends that the said appellant having qualified under (b) above in 1940, then occupied the field to the exclusion of all others, notwithstanding its failure to apply for registration in Canada within the prescribed time. He submits further that the registration of "Shano" in 1943 was invalid, since the proprietor of that mark was not "first to use or make known" the mark in Canada.

59 That interpretation of s. 4(1) in effect assumes that an absolute right is conferred upon the

person who qualifies under (a) or (b) above, which, unless the right is shown to have been abandoned, is maintained in suspense until the person entitled to exercise it chooses to make application for registration of the mark.

60 I do not think the section, read as a whole, is open to that interpretation. It appears to me that the right conferred by s. 4(1) is clearly conditional upon registration within one of the periods of 6 months prescribed by the section, or upon application by that person under s. 4(3) before valid registration under the Act of a similar mark has been effected by another.

61 Here, in my opinion, the said appellant lost the priority acquired under [B] above by its failure to apply for registration of the mark "Vano" before registration of the mark "Shano" was granted to the respondent in 1943.

62 I respectfully agree with the view expressed by Cameron J. in *Feingold v. Demoiselle Juniors Ltd.*, 7 C.P.R. 25 at p. 34, [1948] Ex. C.R. 150, wherein the learned Judge says: "I can find no provision in the Act which would indicate that one who is not the first to use or to make known his mark in Canada ... can, by getting to the Registry Office first and registering his mark, acquire registrability and maintain it, unless such later user can bring himself within the provisions of s. 10."

63 Here the respondent on the finding made by the learned trial Judge, with which I respectfully agree, has brought himself within s. 10; and *of. Fine Foods of Can. Ltd. v. Metcalfe Foods Ltd.*, [1942] 2 D.L.R. 59, Ex. C.R. 22, 1 C.P.R. 301 [affd [1943], 1 D.L.R. 161, S.C.R. 42, 2 C.P.R. 155], particularly at p. 63 D.L.R., pp. 305-6 C.P.R., p. 26 Ex. C.R., referred to with approval by Cameron J. in the *Feingold* case.

64 In terms of those decisions I think a proceeding in the Exchequer Court of Canada to expunge the mark "Shano" under s. 52 of the Act must have failed. Consequently I consider that this branch of the appellants' claim was properly rejected.

65 The appellant Chemicals Inc. claims further for damages for trade libel arising out of the letter written by respondent's solicitors to Kelly, Douglas & Co. Ltd., to which reference has been made above.

66 In *Royal Baking Powder Co. v. Wright, Crossley. & Co.* (1901), 18 R.P.C. 95 at p. 99, Lord Davey defined the essential elements which a plaintiff must prove to support a claim for trade libel as follows: "(1) That the statements complained of were untrue; (2) that they were made maliciously --*i.e.*, without just cause or excuse; (3) that the Plaintiffs have suffered special damage thereby."

67 It is perhaps doubtful whether under s. 11 (a) of the Act malice is an essential element.

68 I think it clearly appears on the evidence adduced below that the statements complained of were true and were made with just cause, since it was shown that respondent had registered the

mark "Shano", and that the use of the mark "Vano" was likely to mislead purchasers of such products, and to cause confusion in the trade.

69 As to the further ground that the respondent induced a breach of contract between Kelly, Douglas & Co. Ltd. and Overseas Commodities Ltd. by the letter of July 31, 1946, I respectfully adopt the reasons for rejection of that branch of the claim expressed by the learned Judge below.

70 I would therefore dismiss the appeal.

---- End of Request ----
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Time Of Request: Sunday, June 12, 2016 14:40:40