Paper Chasers Ltd. v. *W.H. Smith Canada Inc.*: a case comment involving trade names and trademarks in Canada

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Les législations fédérale et provinciales ont confondu la loi sur les marques de fabrique et la loi sur le nom commercial ou raison sociale.

Federal and provincial legislation have confused the law on trademarks and trade names.

PAPER CHASERS LTD V. W.H. SMITH CANADA INC.[1] has highlighted the confusion and uncertainty in our federal system surrounding the overlapping federal-provincial jurisdictions respecting corporate names, trade names and trademarks.

The action was one at common law for an order "restraining and enjoining the defendant from the use of the business name 'Paper Chase' or any similar business name." The plaintiff was a federal corporation registered since 1979 to do business in Manitoba and carried on business in Manitoba as a supplier of printing services, paper, and paper products. The retail outlet of the plaintiff had a sign "Paper Chasers" above its entrance, and clients and customers knew and referred to the plaintiff's business as Paper Chasers. The plaintiff had not registered under the *Manitoba Business Names Registration Act*.[2] The defendant was an Ontario corporation that was a wholly-owned subsidiary within a corporate group whose parent company had used the trade name "Paperchase" in Great Britain since 1972. The defendant's business was much broader than that of the plaintiff, but a small part of it did include some of the products supplied by the plaintiff, although generally the goods and services offered for sale to the public by the defendant were quite different from those of the plaintiff. There was evidence however, of confusion among the clients and customers of the plaintiff.

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1 [1988] 3 W.W.R. 755 (Man. Q.B.).

2 R.S.M. 1987, c.B-110.

The action was essentially one of passing-off. The defendant's pleadings did not raise the *Trade Marks Act*[3] although it did appear in the evidence that the defendant was the assignee of rights in a trademark application made in January 1986 under the *Trade Marks Act* to register the trademark "Paperchase."

The case, therefore, was relatively straightforward involving the well-trod ground of the tort of passing-off. Indeed, the only case cited by the judge was one dealing with passing-off. In support of his conclusions, the learned judge alluded to the *Trade Marks Act*, the *Manitoba Business Names Registration Act*, and the *Canada Corporations Act*,[4] as indicating that Parliament and the Provincial Legislature had recognized the rights of persons or corporations who first use a trade name or corporate name. The difficulty in referring to isolated sections of statutes to support a conclusion at common law is that one must first of all be certain as to the purpose and context of the provisions referred to. I shall subsequently discuss these statutory provisions, but it is sufficient here to state that they were not relevant to resolve the issues in dispute.

It is however, easy to see how a counsel and the judiciary can become disoriented in cases such as this. There are many variations on the theme presented in this case that can lead to even greater legal complexity. Issues involving trade names and trademarks can arise not only as between two businesses, whether incorporated or not, but also as between those who administer corporations branches and trade name registries vis-à-vis corporations, trademark holders, and registrants under business names registration statutes in a province. These issues touch upon nice matters of constitutional, tort, administrative, and intellectual property law, and are not susceptible to easy resolution. This comment will examine some of the variations on the theme with a view to bringing some order out of the chaos that arises mainly from our split federal-provincial jurisdictions.

On the federal scene there are two pieces of legislation that are pertinent, the *Canada Business Corporations Act* and the *Trade Marks Act*. Although there are other federal statutes, both general and special, that give or authorize the giving of names to corporations, my remarks are confined to the two statutes mentioned.

From the provincial perspective, the relevant statutes are the business corporations acts and trade names registration acts. Additionally, provincial laws respecting the tort of "passing-off" are relevant.

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3 R.S.C. 1970, c.T-10 [hereinafter cited by section number alone].

4 R.S.C. 1970, c.C-32.

I. PROVINCIAL BUSINESS CORPORATIONS ACTS

THE CONSTITUTIONAL AUTHORITY for provincial corporations statutes is found in s. 92(11) of the *Constitution Act, 1982*,[5] which enables a legislature to incorporate companies with "provincial objects." Implicit in this power to incorporate is the right to give to such corporations a name. One does not have to look to s. 92(14) of the *Constitution Act* in order to justify the giving of a name as being legislation respecting "property and civil rights in a province." The giving of a name is an incidental part of the incorporating power itself.

Intra-provincially, the use by a provincially created corporation of its corporate name is subject to other laws of the province valid under the other enumerated heads of s. 92 of the *Constitution Act*. Thus, rights of property already acquired within a province by a third party may still be asserted by the third party against the new corporation if the corporation attempts to carry on business in the province under its given corporate name in violation of those rights. A passing-off action could be commenced against the corporation by a third party who has established, at common law, a prior proprietary right in the goodwill of a business, where one of the attributes of that goodwill is the business name used by the third party. An injunction could be obtained restraining the "Johnny-come-lately" corporation from passing off its merchandise or services as those of the prior user of the name. The incorporating statute therefore does not purport to give a right of property in the use of a name by a corporation; it merely provides the corporation with a name by which it can be legally identified. In the same way that a human being is not allowed to use his or her legal name as a business name under every circumstance and for every purpose (for example, because of the tort of passing-off), so too a corporation is similarly restrained. This does not mean that the name itself is not valid; it merely means that, under certain circumstances in a particular area, the name given may not be employed, because its use encroaches on the superior proprietary right of a third party.

II. *CANADA BUSINESS CORPORATIONS ACT*

JUST AS PROVINCIAL CORPORATIONS ACTS do not purport to give rights of a proprietary nature respecting the use of a name by provincial corporations, so too federal corporations statutes do not purport to give such rights. Federal corporations are also not immune to provincial laws respecting passing-off and other unfair trade practices. A federal corporation may still retain its name, but it may be constrained by the court in a particular market area, which may not necessarily be an entire province, from using its name in connection with its business ac-

5 Being Schedule B of the *Canada Act 1982* (U.K.), 1982, c. 11.

tivities where this would violate the superior property right of another person, firm, or corporation. An injunction restraining the use of a name in a particular area, either completely or except in a defined manner, might be the final result of a passing-off action. The validity of the tort laws respecting passing-off under "property and civil rights in a province" cannot be impaired by merely incorporating a business under a federal statute, because the federal corporation statutes do not purport to create proprietary rights in a name. There is, therefore, no unfettered right of a federal corporation to carry on its activities throughout Canada under its corporate name.

III. Corporations and Trade Name Registration Acts and Permissible Names

PROVINCIAL AND FEDERAL INCORPORATION STATUTES and provincial trade name registration statutes contain detailed provisions respecting corporate and trade names. There is a discretion given to a corporations branch, subject to appeal to a court, to refuse to further process the incorporating documents if the proposed name would breach such statutes or their regulations.

The federal corporations branch maintains computer lists of all provincial and federal corporations, registrations under provincial trade names registries, and registrations under the *Trade Marks Act*. It is a requirement that there be submitted along with the incorporating documents a computer print-out, a NUANS search, which indicates whether or not any existing trade or corporate name or registered trademark is so similar to the proposed name that there is a likelihood of confusion.

Each province maintains lists of corporations created or registered in its own jurisdiction, registrations under its trade names registration act, corporations created under the *Canada Business Corporations Act* or *Canada Corporations Act*, corporate names reserved under its own legislation, and corporate names provided by some of the other provinces. There is no uniformity amongst the provinces as to the extent of the corporate and trade name file maintained and to which the corporations branch or the general public may have access through a computer or manual search. Some require a NUANS search, while others do not.

Both the federal and provincial authorities try to prevent corporations being created or trade names registered or reserved that might cause confusion because of their similarity to other names.

Why are the governmental authorities so circumspect to prevent the giving of a corporate name or the registration of a trade name that is likely to be confused with an existing or reserved corporate or trade name? The reason for the elaborate provisions is not to create a property interest in the name itself, either for the corporation or for the person registering the name; that is left to provincial property and tort

laws and to the federal *Trade Marks Act*. Rather, it is to prevent the public from being misled. If there were no such provisions in the corporations acts or in trade name registration acts, the matter of confusion would be left for subsequent specific resolution by the person whose proprietary interests were affected by the use of the new name. In the meantime, the general public may have been misled as to the person with whom they have been dealing. Additionally, it is thought to be very useful for persons who are seeking to incorporate or seeking to commence business under a trade name to have some registry to which they could refer, in advance of use of the name, in order to determine whether or not there may be some legal difficulties down the road, such as a passing-off action or a trademark infringement action, which could have disastrous financial consequences. With respect to trade name registrations, there is an additional reason for the elaborate name provisions: the public ought to be able to find out who the legal person is behind a trade name, whether it be a proprietorship, partnership, or corporation. This is important, so that the general public may check the creditworthiness of the enterprise and know the exact name of the defendant should legal action be necessary. The reason why provinces require extra-provincial corporations to register before they do business within a province, is to keep track of what corporations are operating in the province, but more importantly, to allow the public to search locally to determine the proper name of a corporation and particulars as to its constating documents, and to find the name and address of the attorney for service within the province should legal action be necessary.

IV. CAN A PROVINCE REFUSE TO REGISTER A FEDERAL CORPORATION BECAUSE OF ITS NAME?

MOST PROVINCES HAVE RETAINED in their corporations acts a discretion to refuse to register an extra-provincial corporation, particularly in the circumstances where to do so would be contrary to the provisions of the corporations act respecting names. Indeed, this is what occurred in the case of *John Deere Plow Co.* v. *Wharton*,[6] where the British Columbian statute prohibited the registration and licensing of an extra-provincial corporation where the name was similar or identical to that of an existing British Columbian corporation. The Privy Council held these provisions to be *ultra vires* insofar as they purported to apply to federally incorporated entities. Under laws respecting corporations therefore, it would seem that a province may not refuse to register a federal corporation under the provisions of its corporations statute, because this might sterilize the right of the federal corporation to carry on business throughout Canada.

6 [1915] A.C. 330 (P.C.).

One could argue that the *John Deere Plow* case and the later *Great West Saddlery* v. *The King*[7] decision merely struck down that part of the British Columbian statute that gave a broad discretion to the province to refuse to register a federal corporation. The narrower question as to whether it is competent for a province to retain a discretion to refuse to register a federal corporation *only* in circumstances where there is a conflict with an existing corporate or trade name, may still be open. If a province could justify such a provision under s. 92(14) of the *Constitution Act* as dealing with property and civil rights, then there is an argument in favour of upholding such legislation as being part of a general scheme within the province to regulate trade names generally in order to prevent the residents of the province from being misled. The fact that this may also affect a federal corporation is merely incidental. The status and powers of a federal corporation denied registration are not impaired to the extent that it *cannot* carry on business, because it may still register to do business in the province, albeit under a different trade name. In other words, it is not that the corporation is prevented from carrying on business as was the case in *John Deere Plow* v. *Wharton*, but merely that it cannot carry on business in that province using its own corporate name. There might be a better chance for such provincial legislation to be upheld in its application to federal corporations if the provisions were found in a general trade names statute rather than in a provincial corporations statute. At any rate, Manitoba is the only province of which I am aware that gives to its Director of Corporations a discretion to refuse to register a federal corporation on the grounds that the name violates the Manitoba Corporations Act[8] and its regulations respecting names.

Clearly, if a federal corporation wished to carry on business in a province using a name other than its corporate name, then the corporation would be bound to comply with the general provisions in the trade names registration statute. The federal corporation would be subject to the sanctions provided for in the provincial statute if it failed to register but nevertheless carried on business under its non-corporate name.

Although I have presented an argument in favour of upholding provincial corporate legislation that may actually prevent a federal corporation from carrying on a business in a province under its own name, do not forget that it is the prevalent view, based on *John Deere Plow Co.* v. *Wharton*, that it is not within the competence of a provincial legislature to impose such a constraint on a federal corporation; that is, a federal corporation has the right to carry on business throughout Canada using its own corporate name, subject only to provincial laws respecting passing-off and fair competition otherwise

7 (1921), 58 D.L.R. 1 (P.C.).
8 R.S.M. 1987, c. C-225, s. 191.

valid as being legislation respecting "property and civil rights within a province."

V. CORPORATION BRANCH RESPONSIBILITY

A POINT THAT IS IMPLICIT FROM THE ABOVE DISCUSSION should be stressed: provincial authorities, whether operating under the extra-provincial registration provisions of a corporations act or under a general trade names registration act, are acting with a view to protecting the interest of the public generally, not with a view to protecting or preserving proprietary rights of persons within the province. It is worthwhile restating that the creation of a corporation with a name or the registration of a trade name is not intended to, and does not, create any proprietary rights respecting the name, nor is the refusal to give or to register or reserve a name intended to protect a third party's proprietary rights. It is the interests of the public only, persons dealing with the business, who are to be protected. Those who may have a prior proprietary interest in the name will always have a passing-off or trademark infringement action to protect their interests. The registration of a corporate or trade name cannot affect those rights, and it is up to those persons to assert those rights, not the provincial authorities.

It follows therefore that in making decisions as to whether to allow or to reserve a corporate name, or to allow a corporation to register in a province, or to allow registration of a trade name, the corporations branch officials ought not to decide the matter on the same basis as if it was a passing-off action or a trademark infringement action. In a passing-off action for example, the question is whether a person by intent or otherwise is passing off his merchandise or services as those of another who has a prior proprietary right. A judge will look not only at the name of the business or the name on the merchandise, but will look also at the manner in which the two businesses are being conducted, including such things as packaging, form of advertising, store decor, catalogue decor, marketing methods, how the trade name is presented to the public, as well as nature of the customers and the relevant market area. Evidence of actual confusion of the public resulting in loss of goodwill to the plaintiff is admissible.

In the case of *Re C.C. Chemicals Ltd*,[9] the Ontario Court of Appeal, in considering the proper role of a corporations branch in deciding whether or not two corporate names were likely to deceive the public, pointed out that such a consideration was not in the nature of a passing-off action, which is *inter parties*, but that the consideration was for the benefit of the public who would likely be deceived. The grievance

9 [1967] 2 O.R. 248 (Ont. C.A.).

of the party complaining was an entirely secondary result.[10] In *C.C. Chemicals Ltd*, Kelly J.A. at 255 stated as follows:

This statement I consider to be fundamental: what the statute aims at is the prevention, in the public interest, of the use of letters patent to further deception likely to arise from similarity of names. Save as to the provision of a review by the Court, what it sets up is an administrative procedure to prevent the giving of a name similar to an existing one and to change a name, the giving of which contravened the prohibition of s. 12(1).

It was never intended that s. 12 should provide an alternative method of determining the rights of two parties where one of them, by the manner in which he is conducting his business, is seeking to draw custom away from his competitor. Adequate remedies have always been available to deal with such a situation – any attempt to broaden the scope of the administrative procedure under s. 12 to encompass what is "passing-off" are unwarranted and should be resisted.

The Court of Appeal held therefore, that the only matters to which the departmental officials should have regard are a comparison of the audio-visual aspects of the two names to determine whether or not it is likely that persons dealing with the two corporations would be confused in the light of the nature of the respective businesses and the persons or class of persons who ordinarily might be expected to deal with the respective businesses. The court specifically refused to consider evidence that would be relevant to a passing-off action, such as similarity of catalogues, similarity of corporate name of one to the trademark of the other, and similarity of the product names. For the same reasons, evidence of actual confusion within the public was only admissible for the sole purpose of showing the lack of objectivity in the decision of the provincial officials that deception or confusion was not likely to occur.

Similarly, many of the matters set out in s. 6 of the *Trade Marks Act* dealing with a trademark infringement action should be irrelevant to the federal corporations branch when deciding if there may be confusion.

There is of course a powerful desire for the officials and the courts to admit evidence of actual confusion of the public and to consider the sort of evidence that would be admissible on a passing-off action or a trademark infringement action in order to see what actually *did* occur. Most cases since the decision in *C.C. Chemicals Ltd* have steadfastly ignored the injunction of the court in that case and *have* considered evidence of actual confusion. The difficulty is in determining whether or not the actual confusion in the minds of the public resulted primarily from the confusion of the two names of themselves or whether it resulted from the *manner* in which the two names were used or other

10 See also *Re Coles Sporting Goods Ltd* ((1964),[1965] 1 O.R. 331, aff'd. [1965] 2 O.R. 243.)

matters relevant to a passing-off or patent infringement action. Life would be a lot easier for departmental officials if decisions to grant a corporate name to or permit registration of a trade name etc. were made on the basis of the principles in C.C. *Chemicals* and not mixed with considerations relevant to the tort of passing-off or a patent infringement action. Courts, in hearing appeals from decisions of departmental officials, should similarly be constrained in the evidence they hear and the basis upon which their decisions are made under corporate or trade name legislation.

VI. IMPACT OF THE *TRADE MARKS ACT* ON CORPORATE AND TRADE NAMES

IF THERE WAS NO *TRADE MARKS ACT*, then the above discussion could stand alone. We would be left with some constitutional problems in respect of registration within a province of federal corporations, and we would have to live with the penchant of the courts in matters of administration of the names provisions of corporations and trade names registration statutes to consider the matter as if it was a passing-off action. However, the situation is made much more complicated by the addition of another factor, the *Trade Marks Act*.

Quite often, the corporate name is the trade name of the business, and the goodwill of the business can attach to a trade name. The provincial laws of passing-off and laws respecting unfair competition can resolve competing proprietary interests of the users or "owners" of trade names. The *Trade Marks Act* also gives substantive rights to persons who have registered a trademark. There would probably be little or no confusion if the *Trade Marks Act* restricted its application to particular products, such as Aspirin, Bauhaus, Coke, etc; however, the Act permits registration as a trademark of what is essentially a trade name which has become identified in a distinctive manner with the business of the registrant. For example, The Brick Warehouse Ltd sells furniture and has registered as a trademark "The Brick Warehouse" and "The Brick." These words have nothing to do with the actual products that are sold. Unlike "Bauhaus" furniture, one does not buy a "Brick" chesterfield or a "Brick Warehouse" love-seat, there being no identification of the actual thing purchased with the trademark. The trademark in this instance relates to the trade name under which this retailer is identified in a distinctive manner. The ability of persons to register what are essentially trade names as trademarks under the *Trade Marks Act* is now accepted practice. This has led to a conflict between registered trademarks and trade names and has once again muddied the constitutional waters between the provinces and the federal parliament. The *Trade Marks Act* clearly contemplates that there may be confusion between a registered trademark and a trade name, and tries

to strike a balance between the interests of the trademark holder and the user of a trade name.

If the *Trade Marks Act* is a proper exercise of constitutional authority under s. 91(2) of the *Constitution Act* (that is, the "trade and commerce" provision), then what may in essence be a trade name, but which has achieved registration as a trademark, will have validity in and may be used throughout Canada. Provincial corporate law and trade names legislation could not constrain the use of that trademark as such. Indeed, if the federal *Trade Marks Act* is valid, then even the provincial law of passing-off that recognizes substantive property rights in the use of a trade name would have to give way to the substantive rights created under the *Trade Marks Act*, on the basis of the doctrine of paramountcy of federal legislation.

The *Trade Marks Act* provides that a person may register a trademark, and, that once registered, the owner of the registered mark has the exclusive right to the use of that mark in Canada.[11] The Act contains some safeguards for businesses that have a prior use of a trade name that may be confused with the trademark. For example, the applicant for registration must not be aware of any confusing trade name and must otherwise establish its own right to register the mark.[12] For a period of five years from registration, a prior user of a trade name that can be confused with trademark may attack the registration and have it set aside on the basis of its prior use somewhere in Canada.[13] Once the five-year registration period has expired however, any attack on the validity of the registration by a prior user is foreclosed unless the registered user knew of the prior use at the time of the application of the registration.[14] Even after the five years, a registration of a trademark may be attacked if it was not registerable originally, if it is no longer distinctive, if it has been abandoned, or if the applicant was not the person entitled to secure the registration.[15] The registration is otherwise unimpeachable, and the Act expressly provides that the owner has the exclusive right to use the trademark throughout Canada in respect of its wares or services.[16] Although the Act permits the continued *bona fide* use of a personal name as a trade name notwithstanding the registration of a trademark,[17] it was held in *Kaiser-Roth Canada* (1969) Ltd v. *The Fascination Lingerie Inc*[18] by Noel J. that this only applied to personal names, not to corporate names. The Act however does provide the Federal Court with jurisdiction to permit someone who has in

11 s. 19.
12 s. 16.
13 s. 17(1).
14 s. 17(2).
15 s. 18.
16 s. 19.
17 s. 20.
18 (1971), 3 C.P.R. (2d) 27 (F.C.).

good faith used a confusing trade name within Canada before the filing of the application for registration by another person, to continue to use the trade name if it is not contrary to the public interest.[19] The order may be with respect to an assigned territorial area and may establish the terms upon which the continued use of a trade name might be continued.

It is not necessary for the owner of a registered trademark to pursue a passing-off action to protect the mark but can take proceedings for infringement under the *Trade Marks Act*. The Act itself[20] sets out the rules for determining when a trademark and a trade name may be confusing and expressly directs the court to look at "all the surrounding circumstances."

Clearly, a person carrying on business in a province under a particular name may have established goodwill through the use of that name in a particular locality and would, at common law, be entitled to restrain others from carrying on business in that area under a similar name where, in all the circumstances, it causes loss of goodwill. If the second party was the holder of a registered trademark, the registration had subsisted for at least five years, and the owner was unaware of the local business at the time of the filing of the application for registration, then the *Trade Marks Act* gives primacy, or exclusivity, to the holder of the registered trademark. A suit for trademark infringement would be maintainable under the Act and, unless the local user could convince the Federal Court to exercise its discretion under s. 21 of the *Trade Marks Act*, an injunction could be obtained restraining the local user from using its corporate or trade name. Even though at common law, there was a proprietary right to the use of a name vested in the local user, such right must give way to the exclusive use right of the holder of the federal trademark registration. Assuming the federal *Trade Marks Act* to be constitutionally valid, the doctrine of paramountcy mandates this result.[21]

VII. IS THE *TRADE MARKS ACT ULTRA VIRES?*

THERE IS A SERIOUS QUESTION as to constitutionality of the *Trade Marks Act* itself. Section 7(e), which deals with unfair trade practices, has already been struck down by the Supreme Court in the case of *McDonald* v. *Vapour Canada*,[22] and at least one other court[23] has held that the whole of s. 7 dealing with unfair competition and passing-off is *ultra vires* Parliament. Whether the rest of the Act is *ultra vires* as trenching

19 s. 21.

20 s. 6.

21 *A.G. of Canada* v. *A.G. of British Columbia*, [1930] A.C. 111 (P.C.); *Multiple Access Ltd* v. *McCutcheon* [1982] 2 S.C.R. 161.

22 [1977] 2 S.C.R. 134.

23 *Motel 6 Inc.* v. *No. 6 Motel Ltd* (1981), 56 C.P.R. (2d) 44 (F.C.T.D.).

upon property and civil rights in a province is the subject of speculation.[24] Bereskin[25] has discussed the various cases dealing with the constitutionality of the *Trade Marks Act*, even beyond the constitutionality of s.7 alone. He ends his analysis by saying that the exclusive use rights provided for in the *Trade Mark Act* might be narrowed down so as to give force to provincial passing-off laws or the court might hold the entire act to be unconstitutional. Bell and Probert[26] devote most of their article to a discussion of the validity of s. 7, but they too raise some doubts as to the constitutional reach of the Act itself. In light of the recent decisions of the Supreme Court of Canada in *General Motors of Canada Ltd* v. *City National Leasing*[27] and *Quebec Redi-Mix Inc.* v. *Roçois Construction*,[28] which uphold on the basis of the "trade and commerce" power s. 31.1 of the *Combines Investigation Act*,[29] perhaps the court would also find that this resuscitated power was sufficient to validate the federal presence in the field of trademarks even when the legislation encroaches on matters of property and civil rights within a province. It might even be enough to rescue s. 7 from a finding of *ultra vires*.

VIII. Trademark Ownership and Extra-Provincial Corporate and Trade Name Registration

IS THE HOLDER OF A REGISTERED TRADEMARK subject to provincial corporations acts extra-provincial registration provisions and provincial trade name registration provisions?

As discussed earlier, federal corporations may be subject to corporations acts extra-provincial registration provisions, depending on how the court assesses the reach of *John Deere Plow Co.* v. *Wharton*. There is a serious question as to whether a province is constitutionally capable of constraining a federal corporation from exercising its essential powers through the application of corporations act provisions. "Essential powers" would include preventing a federal corporation from using the courts of a province to sue on a contract made in whole or in part in the province. The right to sue on a contract is surely an "essential power" of any corporation.

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24 See, for example, two excellent articles on this constitutional point: "The Trade Marks Act and the Constitution" by Daniel R. Bereskin (Patent and Trade Mark Institute of Canada, Series 8, Vol. 12 (March 1982) 687); and, "The Constitutionality of Canadian Trade Mark Law" by G. Ronald Bell and Heather Probert ((1985), 4 C.P.R. (3d) 305).

25 *Ibid.*

26 *Supra*, note 24.

27 [1989] 1 S.C.R. 641.

28 [1989] 1 S.C.R. 695.

29 R.S.C. 1970, c. C-23.

Other than using the extra-provincial registration provisions of the corporations act to constrain a *federal* corporation, there should be no other difference in the treatment of federal and non-federal corporations, especially under a province's general trade name legislation.

Non-federal corporations are subject to the extra-provincial registration provisions of provincial corporation acts, and both federal and non-federal corporations are subject to the registration provisions of provincial trade names acts. Of course, all businesses whether incorporated or not, are within the ambit of provincial trade names acts.

Does the possession by an extra-provincial corporation of a registered trademark give an exemption from registration under provincial corporations act provisions? As stated, federal corporations may already be exempt, but, subject to that caveat, does the *Trade Marks Act* have any effect on this question? Is it a valid requirement under the *Manitoba Corporations Act* for example, that a corporation created in Alberta and which has been a registered trademark holder for five years, must register as an extra-provincial corporation before commencing business in Manitoba? The answer, based on first principles, must be that the possession of a trademark is an irrelevant consideration. Assuming that the clearing of a corporate name is a valid condition precedent to extra-provincial registration by non-federal corporations, then the mere fact the use of the name of the Albertan corporation will cause confusion should be enough to deny registration.

The provincial corporations act name provisions look to the *public interest*, not to the proprietary rights to the use of a name as between two or more competing proprietary interests. The fact that the Albertan corporation has a registered trademark that is in essence its corporate name, is not relevant to the decision to permit the extra-provincial registration of the Albertan corporation.

The *Trade Marks Act* gives the holder of the mark the right to exclusive use of the mark throughout Canada and the concomitant right to prevent others from infringing on that exclusivity. Section 7 of the *Trade Marks Act* purports to give other proprietary rights to the holder of the mark. All these rights, although *in rem*, are only enforceable vis-à-vis other persons who may infringe upon them. Nowhere does the *Trade Marks Act* purport to give the holder of a registered trademark immunity from legislation passed by parliament or by the legislatures in the interest of the public generally, so long as such statutes do not derogate from the proprietary rights given the holder by the *Trade Marks Act*.

The extra-provincial registration provisions of the corporation acts do not *prevent* the holder of a trademark from enforcing any of its rights or pursuing any of its remedies under the *Trade Marks Act*. By way of example, let us suppose that an Albertan corporation with a five-year registered trademark tries to register as an extra-provincial corporation in Manitoba but is refused registration because the Corporations Branch is of the view that the use of the name is likely to cause confu-

sion in the public with the name of another corporate or business name to which the Manitoba legislation requires the Corporations Branch to have regard. The Albertan corporation is still free to pursue its rights and to seek its remedies under the *Trade Marks Act* against the person, firm, or corporation whose name has caused the confusion. The fact that the Albertan corporation cannot carry on the business in Manitoba is not the fault of the Manitoba Corporations Branch or the *Manitoba Corporations Act*; it is the fault of the person whose registration has caused the conflict, which has in turn caused the Corporations Branch to refuse extra-provincial registration. It is not the responsibility of the Corporations Branch or the court on appeal from a decision of the Corporations Branch to resolve the competing personal proprietary interests of the two antagonists. Their interests can be determined in an action between themselves, in which case the provisions of the *Trade Marks Act* and the law of passing-off can be used to resolve the issue. One of the consequences of such an action might be an order of the court requiring the party without the trademark to change its name or to amend or withdraw its registration under the *Corporations Act*, or some other effective order. If the registration of the name itself is part of the infringement, then there is no reason why a court could not make such an order. This would clear the way for extra-provincial registration by the Albertan corporation.

The result is that the Albertan corporation is not immune from the provisions of the *Manitoba Corporations Act* respecting extra-provincial registration. In most provinces, this will mean that the non-registered corporation will be unable to sue on contracts made in the province and may be subject to prosecution for carrying on business in the province without being registered. It would be no defence in such proceedings for the Albertan corporation to plead that it had tried to register but was refused. The Albertan corporation could have prevented this outcome. It had a remedy against the person or corporation that had infringed its trademark, and it should have established its superior right in an action against that other person and thereby to have cleared the way through a court order to enable it to legally register as an extra-provincial corporation.

The same arguments can be made respecting registration by both federal and non-federal corporations, and other persons and firms, under provincial trade name registration provisions. These statutes also do not adjudicate the competing proprietary rights of name users under provincial passing-off laws or under the *Trade Marks Act*.

Overall, these are not situations where the doctrine of paramountcy applies. First, there has been no attempt under the *Trade Marks Act* to occupy the entire field of corporate and trade names. Secondly, the *Trade Marks Act* deals with rights *in rem* vis-à-vis other users of the trademark or trade name, whereas the provincial corporations and trade name registration acts deal with the impact of names on the public (the public interest). Thirdly, the federal and provincial provisions

do not in fact conflict with each other because the rights and remedies under the *Trade Marks Act* can be exercised in full notwithstanding the provincial statutes.

IX. REFORM

THERE IS MUCH TO BE SAID for having a national statute that will permit a person to carry on business anywhere in Canada using the same name, and for a central repository for information respecting trademarks and trade names. Better still perhaps, this may be an area that is ripe for joint federal-provincial cooperation and legislation. If all jurisdictions used the same database of names and each passed companion legislation similar to the provisions of the *Trade Marks Act*, which seems to strike an appropriate balance between prior users and registrants, then perhaps the imbroglio can be resolved. Until such occurs, however, I am afraid that we will have to live with not only the uncertainty but with the inevitable litigation that our hodge-podge federal and provincial laws engender.

X. POSTSCRIPT

HAVE WE SEEN THE LAST of the *Paper Chasers* contest? Section 17(2) of the *Trade Marks Act* renders a registered trademark unimpeachable after a five-year registration unless the registrant had knowledge of a confusing trademark or trade name at the time of the adoption of the mark by the registrant. Section 3 of the Act equates adoption as being at least as early as the filing of the application for registration. Subsequent knowledge of the use of a confusing trademark or trade name is not relevant. The evidence was that the defendant was not aware of the plaintiff at the time of the filing of the application.

The plaintiff in the *Paper Chasers* case succeeded in obtaining an injunction on the basis of the provincial passing-off laws and the defendant did not assert as a defence any superior proprietary right under the *Trade Marks Act*. The plaintiff won that battle, but unfortunately for the plaintiff the enemy has not been slain, having survived to fight another day on another battleground. If the defendant licks its battle wounds until some time in January 1991, which is the fifth anniversary date of its application for registration of its trademark, and then again commences business in Manitoba under the name Paper Chasers, a similar action by the plaintiff will be met with a new weapon in the defendant's arsenal, s. 17(2) of the *Trade Marks Act*. I leave the outcome of this battle and the outcome of a new offensive by the defendant under s. 19 of the *Trade Marks Act* to the reader's imagination. The previous discussion in this comment should indicate my own sentiments. As that great philosopher Yogi Berra is quoted as saying, "It ain't over 'til it's over".