

# A TALE OF [NORSTEEL IN] TWO CITIES

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The Federal Court of Canada's recent case of *Norsteel Building Systems Ltd. v. Toti Holdings Inc.* highlights the importance of doing one's due diligence prior to using and registering a trademark in Canada.[1] The Court confirmed in its ruling the longstanding tenet that prior use of a trademark by a third party in association with the same or similar goods or services can result in a trademark registration being deemed invalid.

#### The Facts

Toti Holdings Inc ("**Toti**") is an Ontario company, incorporated in 2006.[2] Norsteel Building Systems Ltd ("**Systems**") is a British Columbia company, incorporated in 1992. The parties are both involved in the business of manufacturing pre-engineered steel and metal. Both parties (through themselves and their predecessors) co-existed for years and, unbeknownst to one another, each used the trademark NORSTEEL in association with their respective, yet similar businesses in separate parts of Canada for years. In 2011, the parties became aware of each others' existence after a customer mistook one party for the other (in trademark terms, an example of "actual confusion" between the users of the trademark). The parties conferred at that time, but they did not enter a settlement agreement, and Systems, the senior user, did not request that Toti, the junior user, cease use of the mark NORSTEEL in association with Toti's business. For the following six years, the parties continued to operate without conflict.

In 2016, Toti filed a trademark application to register the mark NORSTEEL in association with, among other things, construction services and building materials; such application was brought to registration in early 2017 (the "**Registration**").[3] In late 2017, Systems filed a trademark application to register the mark NORSTEEL in association with, among other things, construction services and building materials, claiming use of the mark since at least as early as 1993 (the "**Systems Application**").[4] The Systems Application was objected to during examination on the basis that it is allegedly confusing with the Registration.

Systems applied under subsection 57(1) of the *Trademarks Act* [5] to strike from the register the Registration. [6]

## What does a trademark registration protect?

In general, a trademark registration in Canada provides the registered owner an ability to enforce its trademark rights across the country against junior third party users of the same or a confusingly similar trademark in



association with the goods and services listed in such registration. A trademark registration is also *prima facie* evidence of ownership of the trademark. Therefore in the event of a dispute, the burden of proof is on the challenger of the ownership of that trademark to prove their prior use of the mark.

#### The Decision

Systems challenged the Registration on four grounds; however, the Court focused its analysis on the following issues:

- 1. whether System's application was barred by acquiescence or laches; and
- 2. whether the Registration was <u>invalid because of the prior use</u> by Systems.

### **Acquiescence or Laches**

The Court held that Systems' court application was not barred simply because three and a half years had passed between when Systems became aware of the Registration and when Systems brought their court application to challenge the Registration. Toti put forth that Systems' delay in bringing the court application demonstrated an acquiescence and, thus, a tacit agreement to allow Toti to use the trademark. The Court held, however, that **mere delay is not sufficient to demonstrate acquiescence**. Further, the Court noted that Systems' behaviour prior to the Registration of the trademark NORSTEEL is less relevant than their behaviour once Systems learned of the registration of such trademark. Once Systems became aware of the Registration, Systems informed Toti of their prior use and that they would seek to expunge the trademark, thus demonstrating the opposite of encouragement or acquiescence to Toti's use of the trademark. Thus, the Court held that Systems' court application to invalidate the Registration was not barred due to acquiescence.

#### **Invalidity for Prior Use**

The Court held that the Registration was invalid due to the prior use of the mark by Systems, pursuant to paragraphs 18(1)(b) and (d) of the *Trademarks* Act.[9] Paragraph 18(1)(b) holds that a trademark registration is invalid if, at the time of registration, the trademark is not distinctive.[10] Several factors go into an assessment of whether a mark is distinctive. In this case, the Court held that at the time of Toti's registration of the trademark NORSTEEL, the mark was not distinctive because, due to the similar nature of their businesses and the degree of resemblance of the trademarks, Toti's registered trademark did not allow an average consumer to distinguish Toti's business from Systems'.[11] In fact, evidence of actual confusion was brought forward during the proceeding, namely, email correspondence demonstrating customers had previously confused the two companies and mistaken one business for the other. Due to the confusion created by use of the trademark NORSTEEL by Toti, the trademark could not be considered distinctive, and as such, the Registration was



deemed invalid.

Paragraph 18(1)(d) of the *Trademarks Act*[12] requires that for a registration to be valid, the applicant for registration must be the **person entitled to secure the registration**. Namely, one will not be the entitled person to secure the registration if the trademark has been previously used and continues to be used in Canada by another person.[13] The Court held that because of Systems' prior use of the trademark NORSTEEL, Toti was not entitled to register the mark, and as such, the Registration was declared invalid.[14]

### The Takeaway

This recent Federal Court's decision is yet another example of why it is important for all business entities to do preliminary searches for the purposes of identifying any and all third party prior uses in Canada of a trademark that such business entity wishes to adopt or use, not just in the city or province in which that business entity may plan to do business. Further, the decision highlights the old adage that an ounce of prevention is worth a pound of cure, as the cost to instruct trademark counsel to conduct clearance searches where appropriate is likely to be significantly less expensive than litigation. This consideration is especially pertinent when one has actual knowledge of an existing entity using a similar mark. Failure to do one's proper due diligence can result in a costly rebrand after time, effort and resources have been put towards making a trademark known.

Further, this case highlights that while acquiescence could bar a court application to extinguish a registered trademark, it will not do so solely based on a delay. Nonetheless, it is important for a party, once they become aware of a trademark registration that they believe to be invalid based on that party's prior use, to make known their own prior use of the trademark and bring an application to expunge the registration swiftly to avoid a potential defence of acquiescence.

- [1] Norsteel Building Systems Ltd. v. Toti Holdings Inc., 2021 FC 927.
- [2] Ibid at para 3.
- [3] Canadian Trademark Registration no. TMA966200.
- [4] Canadian Trademark Application no. 1861020, filed by Norsteel Building Systems Ltd.
- [5] Trademarks Act, RSC 1985, c-T-13.
- [6] Supra note 1 at para 8.
- [7] *Ibid* at paras 36 41.
- [8] *Ibid* at para 44.



[9] Supra note 2 at para 18(1)(b), (d).

[10] *Ibid* at para 18(1)(b).

[11] The purpose of trademarks are for the benefit of consumers, namely, to identify the source of certain goods or services.

[12] Ibid at para (18)(1)(d).

[13] Ibid at ss. 16(1)(a), (c).

[14] Supra note 1 at para 59.

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## **A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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