
TRADE MARKS

Considering the Constitutionality of the Trade-marks Act: a Case Comment on Kirkbi AG v. Ritvik Holdings Inc.

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The fight between Lego (Kirkbi AG) and Mega Bloks (Ritvik Holdings Inc.)¹ was, at its heart, a battle to monopolize the market for children's multi-coloured building blocks. When Kirkbi's last Lego patent on its building blocks expired in 1988, Ritvik (now Mega Bloks) moved in, manufacturing and selling blocks using Kirkbi's once-patented technology. Kirkbi, in an effort to protect its market position, asserted (unregistered) trade mark rights in the pattern of raised studs on the top of each block, and brought an action for passing off against Ritvik.

As the dispute moved through the courts, a second, more subtle and protracted battle emerged regarding the allocation of legislative power over trade marks. Indeed, although this case is best known for determining issues relating to the relationship between a distinguishing guise and the "doctrine of functionality," at least half of Justice LeBel's decision in *Kirkbi* is devoted to assessing whether

section 7(b) of the *Trade-marks Act* is *ultra vires*. Justice LeBel held that although section 7(b), which codifies the common law tort of passing off, intrudes on provincial jurisdiction over property and civil rights, such intrusion is incidental to a valid exercise of the federal power over trade and commerce, and therefore within Parliament's law-making power. The Supreme Court's holding on this issue is not surprising. While the courts have jealously guarded the provinces' right to legislate in the area of property and civil rights, they have also protected, and in fact expanded, Parliament's power to legislate in areas where the integration and efficiency of Canadian markets are at stake. The protection of unregistered trade marks at the federal level, through section 7(b) of the *Trade-marks Act*, ensures consistency and completeness of trade mark regulation in Canada.

Earlier Jurisprudence

Sections 91(22) and 91(23) of the *Constitution Act, 1867 (Constitution Act)* grant Parliament jurisdiction over copyrights and "patents of invention and discovery." However, the *Constitution Act* is silent about the power to regulate trade marks. While the constitutional validity of the *Trade-marks Act* has never been directly challenged, the Privy Council and Supreme Court have each suggested, or at least been willing to assume, that the Act is a valid exercise of Parliament's power over trade and commerce. In *Attorney-General for Ontario v. Attorney-General for Canada*² (also known as the "Canada Standard Trade Mark case"), Lord Atkin for the Privy Council stated, *obiter*, "No one has challenged the competence of the Dominion to pass such legislation. If challenged[,] one obvious source of authority would appear to be the class of subjects enumerated in s. 91(2)."³

Some 40 years later, the Supreme Court, in *MacDonald v. Vapor Canada Ltd.*,⁴ was called upon to adjudicate the constitutional validity of section 7(e) of the *Trade-marks Act*. Section 7(e) provides that no person shall "do any other act or adopt any other business practice contrary to honest industrial or commercial usage in Canada." Chief Justice Laskin, writing for the majority cited Lord

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¹ *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 [*Kirkbi*].

² [1937] A.C. 405.

³ *Ibid.* at 417.

⁴ [1977] 2 S.C.R. 134 [*Vapor*].

Atkin's dictum from the Canada Standard Trade Mark case, thereby endorsing the validity of federal trade marks legislation. He went on, however, to declare section 7(e) *ultra vires* Parliament, on the basis that it intruded on the provinces' jurisdiction over property and civil rights and was insufficiently linked to trade marks legislation to be upheld under the trade and commerce power. Professor Hogg (one of the counsel in the *Kirkbi* decision) has described the crux of Chief Justice Laskin's holding in this way:

[T]he creation and extension of civil causes of action of an essentially contractual or tortious character was a matter within property and civil rights in the province [and while] a new civil remedy could be upheld as an incident to an otherwise valid federal law, in this case the remedy stood alone.⁵

The constitutional validity of section 7(b) of the *Trade-marks Act* was first challenged in *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*⁶ Section 7(b) provides that no person shall

direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another.

Justice McGuigan, writing for the Court in *Asbjorn*, upheld the provision on the grounds that it had a rational and functional connection to Parliament's trade mark regulation scheme, and was therefore a valid exercise of the federal jurisdiction over trade and commerce.

Kirkbi v. Ritvik

The debate over the validity of section 7(b) resurfaced in *Kirkbi* when Ritvik raised the issue after the Supreme Court had already granted leave to appeal. Ritvik argued that section 7(b) exceeded the legislative authority of Parliament because it was not linked or connected in any way to the trade mark registration scheme in the Act.

Justice LeBel, writing for a unanimous Court, affirmed the constitutional validity of

section 7(b). He held that the three-part test from *Kitkatla Band v. British Columbia (Minister of Small Business, Tourism and Culture)*⁷ applied to the determination of whether federal legislation was *ultra vires*: (1) Does the impugned provision intrude into a provincial head of power, and to what extent? (2) If the impugned provision intrudes into a provincial head of power, is it nevertheless part of a valid federal legislative scheme? (3) If the impugned provision is part of a valid federal scheme, is it sufficiently integrated with that scheme?

The Court found that while section 7(b) essentially codifies the common law tort of passing off and therefore *prima facie* intrudes on provincial power over property and civil rights, that intrusion is minimal. Justice LeBel went on to assess the validity of the *Trade-marks Act* as a whole, faced with the argument of the respondent, Ritvik, that the provisions applying to unregistered marks were invalid. Justice LeBel held that the *Trade-marks Act* is a valid exercise of Parliament's general trade and commerce power, in large part because of the importance, or even necessity, of having uniform trade mark legislation applicable to registered and unregistered marks across the provinces. He stated:

There is no question that trade marks apply across and between industries in different provinces. Divided provincial and federal jurisdiction could mean that the provincial law could be changed by each provincial legislature. This could result in unregistered trade-marks that were more strongly protected than registered trade marks, undermining the efficacy and integrity of the federal Parliament's *Trade-marks Act*. The lack of a civil remedy integrated into the scheme of the act, applicable to all marks, registered or unregistered, might also lead to duplicative or conflicting and hence inefficient enforcement procedures.⁸

Finally, Justice LeBel analyzed whether section 7(b) is sufficiently integrated into the *Trade-marks Act*, a valid federal statute, to

⁷ [2002] 2 S.C.R. 146.

⁸ *Supra* note 1 at paragraph 29. The necessity for national coverage and the inability of provinces to effect a regulatory scheme on their own are two of five hallmarks of a valid exercise of the trade and commerce power: *General Motors of Canada Ltd. v. City National Leasing*, [1989] 1 S.C.R. 641 [*City National Leasing*].

⁵ Peter W. Hogg, *Constitutional Law of Canada*, vol. 1, looseleaf (Toronto: Carswell, 1997) at section 20.3.

⁶ (1986), 8 C.I.P.R. 232, rev'd in part [1987] 3 F.C. 544 (F.C.A.) [*Asbjorn*].

overcome the intrusion into provincial jurisdiction. He held that, unlike section 7(e), which was struck down by the Court in *Vapor*, the passing-off action (section 7(b)), in its pith and substance, directly connects to the enforcement of trade marks and trade names in Canada and plays a clear role in the federal scheme. Justice LeBel's answer to the constitutional question in *Kirkbi* is not surprising given the results and analysis in earlier cases. In *Vapor*, Chief Justice Laskin clearly laid the groundwork for a finding of validity when he wrote of section 7 of the *Trade-marks Act*:

Section 7 is, however, nourished for federal legislative purposes insofar as it may be said to round out regulatory schemes prescribed by Parliament in the exercise of its legislative power in relation to patents, copyrights, trade marks and trade names. The subparagraphs of s. 7, if limited in this way, would be sustainable, and certainly, if s. 7(e) whose validity is alone in question here, could be so limited, I would be prepared to uphold it to that extent.⁹

Justice McGuigan, writing for the Federal Court of Appeal in *Ashjorn*, adopted the chief justice's words in upholding section 7(b) as a valid exercise of federal law-making power. He held that section 7(b) "rounds out" the statutory scheme of protection of all trade marks and has "a rational functional connection to the kind of trade marks scheme Parliament envisaged, in which even unregistered marks would be protected from harmful misrepresentations."¹⁰

Moreover, a finding of validity is consistent with the Supreme Court's approach to the federal trade and commerce power and the importance that the Court has more recently placed on interprovincial economic integration. *City National Leasing*¹¹ is one of the leading cases on the scope of Parliament's 91(2) (trade and commerce) power and the first case to strongly endorse the so-called general branch of that power. In that case, Justice Dickson, writing for a unanimous Court, invoked economic integration arguments in support of the validity of the *Combines Investigation Act* (now the *Competition Act*). He cited an article of Professors Hogg and Grover for the proposition that

[i]t is surely obvious that major regulation of the Canadian economy has to be national. Goods and services, and the cash or credit which purchases them, flow freely from one part of the country to another without regard for provincial boundaries. Indeed, a basic concept of the federation is that it must be an economic union The relative unimportance of provincial boundaries has become progressively more obvious as industry has tended to become more concentrated.¹²

Given the dual purposes of the *Trade-marks Act*, which are, on the one hand, to protect consumers and, on the other hand, to facilitate effective branding of goods, it is obvious why it would be undesirable to have different regimes for different unregistered marks in different provinces. A business trying to understand the scope of its trade mark protection (or its freedom to operate) could have the burden of understanding 10 different regimes to figure out what it can and cannot protect (or do) in various jurisdictions in Canada. Fortunately for trade mark lawyers and their clients, the Supreme Court's decision in *Kirkbi* has shut down this possibility, likely for good. *Kirkbi* is also significant for the certainty that it has brought to the constitutional status of the *Trade-marks Act* as a whole. Although the respondent did not challenge the Act in its entirety, an assessment of its constitutional validity was critical to Justice LeBel's three-part analysis. The Privy Council and Supreme Court had, in earlier cases, merely suggested or assumed that the Act was a valid exercise of Parliament's law-making power, whereas the Court in *Kirkbi* confirmed it (although arguably in *obiter dicta*).

Finally, it will be interesting to observe the bearing that Justice LeBel's constitutional analysis has on future disputes over unregistered marks. In discussing the extent to which section 7(b) is integrated into the *Trade-marks Act*, Justice LeBel wrote that the section is a "remedial provision limited to trade marks as defined in the Act (sections 2 and 6)."¹³ This may be a significant development for later cases in which new forms of brand-identifying "marks" – never contemplated by the Act – become relevant.

⁹ *Supra* note 4 at 172.

¹⁰ *Supra* note 6 at 561.

¹¹ *City National Leasing*, *supra* note 8.

¹² Peter W. Hogg and Warren Grover, "The Constitutionality of the Competition Bill" (1976) 1 *Can. Bus. L.J.* 197 at 199.

¹³ *Supra* note 1 at paragraph 33.