

November 2014

PERLAW REPORTER

Case Summary: Ottawa Athletic Club Inc. v The Athletic Club Group Inc.¹

Ottawa Athletic Club Inc v The Athletic Club Group Inc, 2014 FC 672.

A recent decision of the Federal Court of Canada has given some trade-mark owners pause for concern. On July 9, 2014 Justice Russell from the Federal Court ordered to have The Athletic Club & Design trademark struck from the trademark registry. Justice Russell also prohibited the fitness club from using the trademark altogether, venturing off in uncharted trademark territory.

The respondent The Athletic Club has been operating training facilities in various cities throughout Ontario for over 15 years, having opened its doors for the first time in 1997 in London, Ontario. The Athletic Club's trademark consisted of the words "The Athletic Club" in fanciful font centered in a black oval with a white line on the contour.

The plaintiff, the Ottawa Athletic Club ("OAC") has been operating a fitness facility in Ottawa as far back as 1976. It made an application under s. 57 of the *Trademark Act* ("Act") to have the respondent's registered trademark, The Athletic Club & Design, expunged from the registry.

One might legitimately wonder how the Athletic Club managed to get its trademark registered in the first place, given the descriptive nature of the wording contained in the trademark. The registration can be explained with a brief comment on the evolution of Canadian trademark law in the area of descriptiveness.

The Athletic Club & Design trademark application was filed in July 2003, or what this writer refers to as "the good old days". In this era, it was quite common for marks with descriptive wording to proceed to registration as long as they contained some other registrable matter such as additional design elements or additional (non-descriptive) wording. Have a descriptive trademark? Put it in a fancy font and throw a border around it and you'll be fine!

The landscape in Canada changed with the January 29, 2004 decision of the Federal Court in *Best Canadian Motor Inns Ltd. v. Best Western International, Inc.* (2004 FC 135) (hereinafter known as "ARMAGEDDON" or "The Day of Reckoning"). The Federal Court had to consider the descriptiveness of the trademark BEST CANADIAN MOTOR INNS & Design (which featured fairly minimal design elements). The Court concluded that the words "BEST CANADIAN MOTOR INNS" were the dominant feature of the mark, and given that these words were clearly descriptive of the character or quality of the applicant's services, the mark in its entirety, **when sounded**, was found unregistrable pursuant to paragraph 12(1)(b) of the Act.

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The Trademarks Office reacted promptly to this decision, and by promptly I mean that a Practice Notice was issued just over one year later (on February 16, 2005). The Practice Notice formally adopted the test as set out by the Federal Court in the *Best Canadian* case.

By happy coincidence, The Athletic Club & Design trademark application was approved on May 18, 2004, **after** the Federal Court decision in *Best Canadian* but **before** the Practice Notice was issued. It is quite likely that if the application had been examined after the Practice Notice was issued, it may have been refused by the Trademarks Office on the basis that it was descriptive **when sounded**.

Jumping ahead to present time, in the Federal Court proceeding the OAC was successful in proving that The Athletic Club & Design trademark was clearly descriptive under s. 12(1)(b) of the Act and that it represented the name of a service, infringing s. 12(1)(c) of the Act. In fact, the court concluded that the design features of the trademark were minimal and were not sufficient to make the trademark distinctive in a way that would take the trademark outside the prohibition of s. 12(1)(c). The Court gave some consideration to whether all of the services should be expunged, or if the registration should merely be amended to delete only those services that are connected to athletic and physical fitness (i.e. personal training services; conducting exercise, fitness and aerobics classes). The Court held that the related services (such as “restaurant services; snack bar services”) were offered in the context of an athletic club facility and therefore fall within the commonly understood meaning of the term “athletic club”. Had I known that athletic clubs have snack bars I might be more inclined to hit the gym with greater frequency.

Nevertheless, what stands out in the decision is the court’s application of s. 10 of the Act. The Court was faced with the following question: had the words “athletic club” by ordinary bona fide commercial usage become prohibited in Canada before the Athletic Club began using them as part of its trademark. If this was the case, the only remedy, in Justice Russell’s opinion, would be to issue a permanent injunction forbidding the club to use the trademark, since s. 10 of the Act stated that “no person shall adopt” such a trade-mark. Justice Russell concluded that the words “athletic club” were in fact a designator mark in Canada before the club began to use them as part of its trademark.

Even though the designator mark is seen in various athletic club trademarks, such other marks typically contained other distinctive wording or design elements. Since the designator mark “athletic club” so dominates the Athletic Club & Design trademark, the Court concluded that it was likely to be mistaken for the prohibited mark, such that s. 10 of the Act applies. More importantly, the fact that the owner of the registered trademark has disclaimed the words ATHLETIC CLUB upon registration of the prohibited mark have no relevance when assessing whether or not the trademark is prohibited by s. 10 of the Act. Rather, when assessing whether one had a legal right to adopt the trademark in the first place, the trademark must be considered as a whole.

The end result of the proceeding is that The Athletic Club woke up on the morning of July 9, 2014 with the exclusive right to use its trademark across Canada, and went to bed that night with an injunction prohibiting it from using its trademark. Tough day at the office! This case is a reminder that even registered trademarks are subject to attack and therefore owners of suggestive trademarks that might arguably cross the line of being clearly descriptive should tread carefully in light of the prohibition in s. 10. This caution is particularly warranted where the trademark proceeded to registration in “the good old days”.



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A Notice of Appeal has been filed by The Athletic Club. Assuming that the parties do not settle the matter (how disappointing would that be!) we hope to provide a further update on this case as it progresses to the Federal Court of Appeal.

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