

Ottawa
 1968
 May 13-17,
 21-24, 27-29
 June 21

BETWEEN :

CLAIROL INTERNATIONAL COR-
 PORATION AND CLAIROL INC. OF
 CANADA

PLAINTIFFS;

AND

THOMAS SUPPLY & EQUIPMENT
 COMPANY LIMITED AND THOMAS
 PRODUCTS CORPORATION LTD.
 AND REVLON INC.

DEFENDANTS.

Trade marks—Use of competitor's trade marks in colour comparison charts—Whether false in material respect and likely to mislead public—Whether contrary to honest industrial or commercial usage—Whether violation of registered owner's exclusive right—Whether likely to depreciate value of goodwill attaching to trade marks—Trade Marks Act, secs. 7(d), 7(e), 19, 22.

Defendants marketed hair colouring products under the trade marks *Revlon* and *Colorsilk*, employing advertising brochures and packages which contained colour comparison charts of defendants' and competitive products in which plaintiffs' products were identified by their registered trade marks *Miss Clairol* and *Hair Color Bath*. The plaintiffs' trade marks were widely advertised and their hair colouring products dominated the market

Held, defendants were not in violation of secs. 7(d), 7(e) or 19 of the *Trade Marks Act* but were in violation of s. 22, and plaintiffs were entitled to relief including damages

1. Defendants' representations did not falsely describe defendants' products in a material respect and so violate s. 7(d) of the *Trade Marks Act*.

2. Defendants' reference to plaintiffs' products was not "contrary to honest industrial or commercial usage in Canada" within the meaning of s. 7(e) of the *Trade Marks Act* as being a device for describing defendants' products as equivalent to plaintiffs' and thus to obtain the benefit of the goodwill which plaintiffs had built up over a long period by great effort and massive advertising. In the context of section 7 as a whole para. (e) does not prevent a person from taking advantage of a market situation created by the efforts of another if the means used are not dishonest. *Eldon Industries Inc. v. Reliable Toy Co.* (1968) 48 C.P.R. 109, referred to.
3. While defendants' use of plaintiffs' trade marks on the packages, though not in the brochures, was a use of those marks in association with the packaged wares within the meaning of s. 4(1) defendants did not thereby infringe plaintiffs' exclusive right to the use of those marks under s 19, which right, in view of the definitions of "use" and "trade mark" in secs. 2(v) and 4, does not apply to use of a trade mark otherwise than to identify the user's wares. *Irving's Yeast-Vite Ltd. v. F. A. Horsenail* (1934) 51 R.P.C. 110, referred to.
4. In placing plaintiffs' trade marks on the packages (though not in the brochures) defendants used the marks, in association with their wares within the meaning of s 4 "in a manner likely to have the effect of depreciating the value of the goodwill attaching thereto" within the prohibition of s 22 of the *Trade Marks Act*. (*Trego v. Hunt* [1896] A.C. 7, applied.) The verb "use" in s. 22(1) is to be interpreted by reference to the definition of the noun "use" in s 2(v). The goodwill attached to a trade mark is that portion of the goodwill of the business of its owner consisting of the whole advantage, whatever it may be, of the reputation and connection which may have been built up by years of honest work or gained by lavish expenditure of money and which is identified with the goods distributed by the owner in association with the trade mark (*Trego v. Hunt, supra*, referred to) Depreciation of the value of that goodwill occurs whether through reduction of the esteem in which the mark is held or through enticement of customers for goods bearing the mark (though not from loss of exclusive rights as a result of use by others, since that affects the trade mark itself rather than the goodwill attached to it).

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ACTION for infringement of trade marks.

Gordon F. Henderson, Q.C. and *Rose-Marie Perry* for plaintiffs.

C. A. Scott, Q.C. and *David W. Scott* for defendants.

THURLOW J.:—In this action the plaintiffs claim an injunction, damages and other relief in respect of the use by the two first named defendants of what are known as color comparison charts which contain *inter alia* the plaintiffs' trade marks and which are endorsed on the packages in which the defendants' goods are sold and are also included in brochures circulated by the defendants in the course of their business of dealing in hair coloring products.

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In what follows I shall refer to the first and second named defendants as "the defendants". The defendant, Revlon Inc., was not served in these proceedings and on the matter being raised at the commencement of the trial counsel for the plaintiffs elected to discontinue the action against that defendant rather than have the trial postponed.

The first named plaintiff is a New York corporation and is the owner of the trade mark *Miss Clairol* which is registered in its name for use in association with hair tinting and coloring preparations. The second named plaintiff, is a Canadian corporation and is a subsidiary of the first named plaintiff. It is a registered user of the trade mark *Miss Clairol* and is the owner of the trade mark *Hair Color Bath* which is registered in its name, also for use in association with hair tinting and coloring preparations.

The defendants are Canadian corporations incorporated in or about 1932 and 1958 respectively. The senior corporation, Thomas Supply and Equipment Company Limited, has been engaged since its incorporation in the manufacture and sale of various cosmetic articles and the junior corporation since incorporation has been engaged in the sale and distribution of cosmetic products manufactured by the other. From the times of incorporation both of these corporations were controlled by Christopher Trahern Thomas but in June of 1967 control of the defendant Thomas Products Corporation Ltd. became vested in Revlon Inc., the third named defendant. That defendant from January 1958 until January 1965 was the owner of the trade mark *Revlon* which had been registered in 1932 by the Revlon Nail Enamel Corporation, later named Revlon Products Corporation, for use in association with a number of cosmetic products (not, however, as I read the registration, including hair coloring preparations). In January 1965 ownership of this trade mark was transferred to Revlon (Suisse) S.A. and that corporation in September 1966 secured the registration of the trade mark *Colorsilk* for use in association with hair color preparations. From June 28, 1955, to January 1, 1965, the defendant Thomas Supply and Equipment Company Limited was a registered user of the trade mark *Revlon*. The defendant Thomas Products Corporation Ltd. became a registered user of the same mark on November 28, 1958, and still is a registered

user of it. The same defendant became a registered user of the trade mark *Colorsilk* from September 2, 1966, and is still a registered user of it.

The advertising brochures and packages complained of were prepared and used in respect of hair coloring products manufactured by the first named defendant and sold by it to the second named defendant by whom they were sold and distributed to beauty salons and franchised retail dealers such as drug and department stores. The goods in question and the brochures all bore the trade marks *Revlon* and *Colorsilk* pursuant to arrangements between the defendants and Revlon Inc. But the printed matter in the brochures and on the packages also included the color comparison charts in question in which both of the trade marks, *Miss Clairol* and *Hair Color Bath*, also appeared. In each of the two brochures complained of these marks appeared on a page headed *Comparative Shade Chart* and at the head of the second of four columns. In each case the first of the columns was headed *Revlon Colorsilk Hair Color* and contained a list of names of color shades (with numbers) each of which was illustrated elsewhere in the brochure. Under the heading *Miss Clairol Hair Color Bath* appeared a list of numbers which corresponded to numbers used by the plaintiffs to identify their color shades. The other two columns were also lists of numbers used to identify color shades. In the earlier chart they were headed *Helena Rubenstein Tintillate* and *Alberto Culver New Dawn* respectively. In the later chart they were headed *Clairol Nice'n Easy* and *Alberto Culver New Dawn* respectively.

On the packages complained of the marks *Revlon* and **COLORSILK** appeared prominently on the top and bottom and on all four sides but on one of the sides under the marks *Revlon* **COLORSILK** were the words:

SHAMPOOS IN. . .
WON'T WASH OUT!
COMPARATIVE HAIR COLOR
SHADE CHART

The sparkling, natural-looking Revlon Hair Color
Shades correspond approximately to the competitive
shades indicated:

and this was followed by a chart consisting of two columns the first headed *Revlon* **COLORSILK** and containing a list

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of names of shades with identifying numbers and the second in smaller type headed *Miss Clairol Hair Color Bath* and containing a list of the plaintiffs' color identification numbers.

The earlier of the two brochures was published in June 1965 when the first of the packages complained of was put on the market. In all 1260 copies of this brochure were distributed in Canada. The other brochure was published in April 1966 after the commencement of the action and 1525 copies of it have been distributed in Canada. In the meantime the plaintiffs' product referred to as *Clairol Nice'n Easy* had appeared on the market and the defendants had put on the market two additional shades of hair color and had altered the wording on the packages by replacing the words SHAMPOOS IN... WON'T WASH OUT! with the words COVERS GRAY . . . LIGHTENS OR DARKENS and by adding references to its new shades in the color comparison chart thereon. It had also added references to its new shades in the new brochure. On a later package introduced in 1968 the number of shades was reduced from 14 to 11 and comparative numbers of the plaintiffs' colors were given for only 5 of them.

The trade mark *Miss Clairol* had been advertised extensively in Canada as well as in the United States in association with the plaintiffs' hair coloring preparations and it is and was admittedly a well known trade mark for such preparations throughout Canada. It was said that in 1965 the plaintiffs enjoyed 50 per cent. of the market for such preparations in the beauty salon trade and 70 per cent. of the market for them in drug, department and other retail stores. Marketing of the plaintiffs' preparations was carried out through jobbers and the goods found their way into whatever salons and retail outlets wished to carry them.

The trade mark *Revlon* is and was admittedly also a well known trade mark throughout Canada for a line of cosmetic products, it too having been extensively advertised in Canada as well as in the United States. There is, however, no evidence that it was a well known trade mark in respect of hair coloring preparations prior to June of 1965 when the events complained of began.

It was said that the market for hair coloring preparations has been growing at the rate of about 15 per cent. per

year and there is evidence that the plaintiffs' sales of the products marketed in association with the trade mark *Miss Clairol* increased in each of the years 1963 to 1967 over the previous year except that in 1965 they decreased by \$100,000. It was in June of 1965 that the defendants' hair coloring preparation was put on the market but in the same year the plaintiffs also put on the market the product known as *Clairol Nice'n Easy* in which they had sales of some \$500,000. As this product competed both with the plaintiffs' *Miss Clairol Hair Color Bath* products and with the defendants' *Revlon COLORSILK* product it is not possible as I see it to conclude on the evidence that the plaintiffs suffered any loss of sales whatever by reason of the marketing of the defendants' product.

The plaintiffs' case is put in several ways. It was said first that the publication of the brochures and the use of the packages containing comparative color charts in which the plaintiffs' trade marks appeared constituted "use" of the plaintiffs' trade marks in such a way as to depreciate the value of the goodwill attaching thereto within the meaning of the prohibition of section 22(1) of the *Trade Marks Act*. Next it was said that the use of the plaintiffs' trade marks both in the defendants' brochures and on their packages constituted infringement of the exclusive right to the "use" throughout Canada of such trade marks which accrued to the plaintiffs under section 19 of the *Trade Marks Act* on the registration of the marks. Next it was said that the wording of the charts and packages constituted a description that was false, in several material respects which I shall mention later, and likely to mislead the public as to the character, quality, geographical origin and mode of performance of the wares and constituted unfair competition within the meaning of section 7(d) of the *Trade Marks Act*. Finally it was urged that the publication of the charts in the brochures and the use of them on the packages constituted an act or practice contrary to honest industrial or commercial usage in Canada and was unfair competition contrary to section 7(e) of the *Trade Marks Act*.

Apart from denial of the plaintiffs' assertions the defendants take the position that the use of color comparison charts was common both in the salon and retail hair coloring trades for many years prior to their introduction of the

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Revlon COLORSILK product in June 1965, that for a new product such as the *Revlon* COLORSILK product, particularly where it bore the name of a well known cosmetic line, the availability of a comparison chart for the purpose only of color selection in the new product is a useful and desirable aid and one that had been recognized in the industry in the past and that similar comparisons, in which the trade marks of competitors are also used for comparison purposes, were and are common in other branches of trade as well, including in particular the automotive and other replacement parts trades. As a further partial defence the defendants also raised an objection to which I shall refer later in these reasons to the validity of the registration of the trade mark *Hair Color Bath*.

I shall deal first with the points founded on section 7 of the Act. The section provides:

7. No person shall

- (a) make a false or misleading statement tending to discredit the business, wares or services of a competitor;
- (b) 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;
- (c) pass off other wares or services as and for those ordered or requested;
- (d) make use, in association with wares or services, of any description that is false in a material respect and likely to mislead the public as to
 - (i) the character, quality, quantity or composition,
 - (ii) the geographical origin, or
 - (iii) the mode of the manufacture, production or performance of such wares or services; or
- (e) do any other act or adopt any other business practice contrary to honest industrial or commercial usage in Canada.

The first point founded on section 7(d) was that the wording complained of, particularly that on the defendants' packages, in fact represented to the purchasers that the product was approximately the same as the *Miss Clairol Hair Color Bath* product whereas in fact they were different in that the defendants' product was what is known as a *shampoo-in* product while that of the plaintiffs was not, that the fading qualities of the dyes differed and that different performance and results could be expected from them. In my view no such representation can properly be

derived from the wording complained of and I do not think that anyone of ordinary intelligence would be likely to be misled by what is stated in any of the ways suggested. At most the statement might be taken to represent that the *Revlon* COLORSILK product would produce approximately the same shade as the *Clairol* product said to correspond with it but to my mind that is far from being a representation that the products or their quality or the mode of application were the same or even approximately the same.

Then it was said that the wording must also have been false since on Exhibits 4 and 8, the earliest package and the earlier brochure respectively, *Revlon* shade number 42, named Young Brown, was represented as corresponding approximately with *Clairol* shade number 46, named Chestnut Brown, whereas on Exhibits 5 and 9, the later package and brochure, the same *Clairol* shade was represented as corresponding approximately to *Revlon* shade number 48 named So True Ash Brown and not to *Revlon* shade number 42, Young Brown.

The basis of this submission was that *Revlon* shade 42 was described in both brochures (Exhibits 8 and 9) as a Warm Brown and *Revlon* shade 48 was described in the later of the two brochures (Exhibit 9) as a Medium Ash Brown. In this connection Mr. Robert Goldman, the president of the second named plaintiff, gave evidence that a color could not be warm brown and ash brown at the same time since warm brown has red or gold highlights whereas ash brown has very limited or no such highlights.

The explanation for the difference in the statements in the later brochure and packages given by Mr. Milton H. Schwarz, a chemist employed by a subsidiary of *Revlon* Inc. and vice president of its new products division, was that the *Revlon* shade number 42 was considered to correspond approximately with the *Clairol* shade number 46 when the first brochure and packages were put on the market but that *Revlon* Inc. later developed its shade number 48 which was considered to correspond more closely to the *Clairol* shade number 46 with which it was thereafter said to correspond approximately. The witness was not asked in cross-examination to comment on Mr. Goldman's statement that a color could not be a warm brown and an ash brown at the same time.

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There are undoubtedly some variations of shade between *Revlon* shades 42 and 48 and between each of them and *Clairol* shade 46 as the same are illustrated on Exhibits 3, 8 and 9 but the reproduction of colors in photographs in brochures was said to be not always exact and as the result to be expected from the use of hair coloring preparations depends on the color of the hair to which the product is to be applied and will therefore be subject to wide variation I am unable to attribute importance to such variations as I am able to observe, none of which would I regard as being of a major nature or beyond the range of tolerance that might be expected when an expression such as "approximately" is used. Moreover, while I am very conscious of my limitations in judging the significance of such matters as differences of shades of hair color I see no reason to think that the persons responsible for the statements would regard it as being in the interest of their employers to misrepresent to the public, whether deliberately or carelessly, the comparability of their shades with those of their competitors and having regard to the extensive measures taken to ensure and maintain the accuracy of the statements as well as to the fact that Mr. Schwarz, the person responsible for their accuracy, was not asked for an explanation as to how a warm brown and an ash brown could both be said to correspond approximately to the *Clairol* shade 46 I am not satisfied that either statement was in fact false.

Attacks under section 7(d) were also made on the grounds that the defendants' packages bore the name REVLON, INC., but nowhere gave the name of the first named defendant as their manufacturer as required by regulations made under the *Food and Drug Act* and, that on some of the packages the goods were represented as having been made in the United States when in fact they were made in Canada. In neither case am I of the opinion that the representation complained of is a material one.

I am accordingly of the opinion that the plaintiffs have not shown any cause of action based on section 7(d) of the *Trade Marks Act*.

A more serious attack was put forward based on section 7(e) of the Act but on consideration I am of the opinion that it too fails.

The case put forward was that in the circumstances the reference in the charts to the plaintiffs' products, which had been extensively advertised and had become well known to the public, was a device for describing the defendants' goods as equivalent to those of the plaintiffs and for obtaining the benefit of goodwill which the plaintiffs had built up over a long period of time by their efforts to produce a product of high quality and by massive expenditures on advertising. It was said that such goodwill was property of the plaintiffs and that to permit the defendants to take the benefit of it by describing their goods by reference to those of the plaintiffs would be to permit the defendants to unjustly enrich themselves at the plaintiffs' expense.

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I do not find this submission unattractive in suggesting, as it does, as a standard to be applied for determining the honesty or otherwise of an act or practice in trading a concept already recognized by the law in other situations but I do not think it is the test which the statute calls for or prescribes. The particular statutory provision does not stand by itself but is the last of at least five separate prohibitions comprised in the section as a whole. It is, moreover, by its terms, applicable only to acts or practices of the nature prohibited other than those mentioned in the preceding paragraphs. The first of these preceding paragraphs is an express prohibition against making a false or misleading statement tending to discredit the business, wares or services of a competitor. In this the key words in my opinion are "false or misleading" and it is the falseness or deceptiveness of the statement which renders the statement dishonest and unfair. The corollary to this as I see it is that to make a statement that is neither false nor misleading is not prohibited even though it may tend to discredit the business, wares or services of a competitor. That this is the legal situation becomes plain I think when one considers that it never has been regarded, at least so far as I am aware, as dishonest or wrong for a business man to seek by any honest means to attract the customers of his competitors and thus to reduce the custom which they have theretofore enjoyed. The same thread appears to me to pervade paragraphs (b), (c) and (d), as well, of section 7, since each by its terms is limited to conduct which is deceptive or likely to result in deception and is in that

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sense dishonest. When therefore one comes to paragraph (e) and finds it prohibiting any other act or business practice contrary to honest industrial or commercial practice in Canada it seems clear that acts or practices that are dishonest in the sense of their being in some way deceptive or calculated to result in deception would fall within its purview. Acts or conduct involving some breach of trust or confidence¹ may well be considered to fall within that purview as well. But I do not think that in the context of the section as a whole the language used can properly be extended to prohibit conduct which can be regarded as dishonest only in the much more refined sense of taking advantage of a market situation even though that situation has been created, as in this case, largely by the efforts and expenditures of another so long as the means used to take advantage of the situation are not in themselves dishonest. The view of the scope of section 7(e) expressed by Schroeder J.A., speaking for the Court of Appeal of Ontario in *Eldon Industries Inc. v. Reliable Toy Co. Ltd.*² is, I think, to the same effect. There the learned judge said at page 123:

Considerable argument was addressed to us as to the effect to be given to s. 7(e) of the *Trade Marks Act*. I am in agreement with the conclusion of the learned Judge of first instance that s. 7(e) must be read in conjunction with paras. (a), (b), (c) and (d) of that section: *A. C. Spark Plug Co. v. Canadian Spark Plug Service* [1935] Ex. C.R. 57, [1935] 3 D.L.R. 84; *Kitchen Overall & Shirt Co. v. Elmira Shirt & Overall Co.*, [1937] Ex. C.R. 230, [1938] 1 D.L.R. 7. These cases were decided under s. 11 of the *Unfair Competition Act, 1932* (Can.), c. 38, which had codified the common law of passing off, and s. 7 of the *Trade Marks Act* is substantially a re-enactment of s. 11 of the *Unfair Competition Act* with some additions thereto. Section 7(e), therefore, must be read *ejusdem generis* with s. 7(a), (b), (c) or (d). The principles governing cases of product simulation have been carefully evolved both at common law and in equity and are now stated in statutory form in s. 7(a) to (d). They were never intended to yield to a subjective or unknown standard embraced in the words "any other business practice contrary to honest industrial or commercial usage in Canada", which would be the effect of the provisions of s. 7(e) if removed from the contextual influence of the foregoing clauses of the section. Furthermore, the *Copyright Act* and the *Industrial Design and Union Label Act* relating to designs confer a monopoly and limit both its duration and its scope in accordance with requirements expressly laid down by the statute, and it would not be right to place the broad construction on

¹ *Vide Breeze Corporation v. Hamilton Clamp & Stamping Ltd.* (1961) 37 C.P.R. 153.

² (1965) 48 C.P.R. 109.

s. 7(e) urged by counsel for the appellants, since such an interpretation would be out of harmony with the scope and purpose of the relevant legislation which was designed to establish order and certainty in the regulation and control of monopolistic rights. In any event, the existence of a usage is a question of fact which must be proved in each case until eventually it becomes so well understood that the Courts take judicial notice of it, and there is no evidence in the present case which establishes any industrial or commercial usage which the defendants have contravened. Here the plaintiffs have failed to bring their design within the protection of the *Industrial Design and Union Label Act* and, as has been shown, the design is excluded from the ambit of the *Copyright Act*. Whatever may be said of the business ethics of a toy manufacturer or distributor in imitating designs of toys made by his competitors, if those designs do not enjoy statutory protection, then, unless he can be shown to have offended against the provisions of s. 7(a) to (e) of the *Trade Marks Act*, he has done no more than that which he had a legal right to do. An act lawful in itself is not converted by a malicious or bad motive into an unlawful act so as to make the doer of the act liable to a civil action: *Allen v. Flood*, [1898] A.C. 1. I share the view of the learned Judge of first instance that an act of dishonesty within the meaning of s. 7(e) of the *Trade Marks Act* which does not fall within the genus of acts prohibited by s. 7(a) to (d), which does not amount to breach of an express or implied contract, or which does not constitute a tortious act, is not actionable, and this ground of appeal should also fail.

As there was in my view nothing referring to the plaintiffs or their wares either in the defendants' brochures or on the defendants' packages which was calculated to deceive a purchaser and as the defendants were under no contractual or other obligation to refrain from seeking to attract the plaintiffs custom I am of the opinion that on the facts disclosed the plaintiffs have no cause of action based on any violation of section 7(e) of the Act.

I turn now to the allegations of infringement of the rights accruing to the plaintiffs under section 19 of the Act. The section provides that:

19. Subject to sections 21, 31 and 65, the registration of a trade mark in respect of any wares or services, unless shown to be invalid, gives to the owner the exclusive right to the use throughout Canada of such trade mark in respect of such wares or services.

As the plaintiffs' trade marks appear in the defendants' brochures and on their packages in the manner already described the question that arises on this section of the Act is one of the extent of the exclusive rights which accrue to the plaintiffs under it as a result of the registration of the marks. This turns on the interpretation to be put on the expression "the exclusive right to the use of such trade mark in respect of such wares" having regard to the definitions of

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“trade mark” and “use” in section 2 and to the provisions of section 4 which are incorporated by reference thereto as part of the definition of “use”.

“Use” is defined in section 2(v) as meaning “any use that by section 4 is deemed to be a use in association with wares or services”. With respect to wares section 4(1) provides:

4. (1) A trade mark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of such wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred

Pausing here it is I think apparent that the presence of the plaintiffs’ marks on the defendants’ packages is a use of those marks “in association with” the wares in the defendants’ packages within the meaning of section 4(1) because, and as I see it, simply because it is marked on the packages. The purpose for which it is there is, I think, irrelevant on this point which, as I read section 4 raises only the question of association or no association and states that association is to be deemed to exist in the three defined cases.³ To my mind, however, the presence of the plaintiffs’ marks on the comparative shade charts of the defendants’ brochures is not a use of such marks within the

³ A similar point was made by Lord Greene, M.R. in *Bismag Ltd. v. Amblins (Chemists) Ltd* (1940) 57 R.P.C. 209 when he said at page 232:

In Section 39 of the Act of 1905 the right conferred upon the proprietor of a registered trade mark is stated to be the “the exclusive right to the use of such trade mark upon or in connection with the goods in respect of which it is registered”. If therefore A was the registered proprietor of a trade mark for “Chemical substances prepared for use in medicine and pharmacy” (Class 3), B could not use that trade mark upon or in connection with substances of this character manufactured by B. By this was meant, as appears from the *Yeast-Vite* case, that before a use by B of the trade mark in relation to his own goods could amount to an infringement, it must be shown that such use was for the purpose of indicating the origin, of these very goods in the user of the mark, that is, B. In the *Yeast-Vite* case the defendant’s use was, I should have thought, clearly a use “in relation to” the defendant’s own goods, according to the ordinary meaning of that phrase apart from any special context—a meaning which appears to have commended itself to Lord *Tomlin* in the passage from his speech quoted above. The plaintiff failed because the defendant’s use of the mark, although it was a use in relation to the defendant’s own goods, was not for the purpose of indicating the origin of those goods in the user of the mark, that is, the defendant.

meaning of section 4(1) since the brochures are neither the wares themselves nor the packages in which the wares are distributed and nothing that I would regard as notice to any person purchasing the defendants' wares of any association of the plaintiffs' marks with those wares, so far as I am aware, ever occurs in any use to which the brochure or its chart can be put at the time of the transfer of the property or possession of the defendants' goods to their purchaser.

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"Trade mark" is defined in section 2(*t*) as follows:

2. In this Act

(*t*) "trade mark" means

- (i) a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others,
- (ii) a certification mark,
- (iii) a distinguishing guise, or
- (iv) a proposed trade mark,

The expressions in (ii), (iii) and (iv) of this definition⁴ are also defined, in the cases of (iii) and (iv) in terms precisely similar to those in (1), and in the case of (ii) in

⁴2. In this Act,

(*a*) "certification mark" means mark that is used for the purpose of distinguishing or so as to distinguish wares or services that are of a defined standard with respect to

- (i) the character or quality of the wares or services,
 - (ii) the working conditions under which the wares have been produced or the services performed,
 - (iii) the class of persons by whom the wares have been produced or the services performed, or
 - (iv) the area within which the wares have been produced or the services performed,
- from wares or services that are not of such a defined standard;

(*g*) "distinguishing guise" means

- (i) a shaping of wares or their containers, or
- (ii) a mode of wrapping or packaging wares

the appearance of which is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others;

(*m*) "proposed trade mark" means a mark that is proposed to be used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others;

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terms that are similar but define the purpose as being to distinguish by a standard rather than by origin. In all cases, however, a trade mark is defined by reference to use for the purpose of distinguishing or so as to distinguish wares or services whether of a particular origin or of a defined standard, from others. When therefore section 19 provides that the registration of a trade mark in respect of any wares or services gives to the owner "the exclusive right to the use of such trade mark throughout Canada in respect of such wares or services" what it appears to me to confer is the exclusive right to the use of such mark in association with such wares or services (within the meaning of sections 2(v) and 4) for the purpose of distinguishing the wares or services as being those of the user of the trade mark or of a defined standard from others. A use of the mark, in association with wares or services, within the meaning of sections 2(v) and 4, that is not "for the purpose of distinguishing or so as to distinguish" the particular wares or services from others is not, however, as I see it within the area of the exclusive right conferred by section 19.

In this respect the law is I think the same as the English law under the *Trade Marks Act, 1905*. That Act defined trade mark as a mark "used or proposed to be used upon or in connection with goods for the purpose of indicating that they are the goods of the proprietor of such trade mark", etc. and it gave to the proprietor of such a mark when registered "the exclusive right to the use of such trade mark upon or in connection with" the goods in respect of which it was registered. In *Irving's Yeast-Vite Ltd. v. F. A. Horsenail*⁵, a case having some parallels on the facts with the present, in particular in that the plaintiffs' mark appeared on the defendants' goods for the purpose of comparing the goods with goods of the plaintiff, the Courts held that such a use was not within the exclusive right conferred by the statute. In the House of Lords Lord Tomlin said at page 115:

Now the act which the Appellants contend amounts in law to an infringement of their exclusive right as registered proprietors of the Trade Mark is the use by the Respondent upon the bottles in which he sells his preparation of the phrase "Yeast Tablets, a substitute for Yeast-Vite."

⁵ (1934) 51 R.P.C. 110.

This is clearly a use of the word "Yeast-Vite" on the Respondent's preparation to indicate the Appellant's preparation and to distinguish the Respondent's preparation from it. It is not a use of the word as a trade mark, that is, to indicate the origin of the goods in the Respondent by virtue of manufacture, selection, certification, dealing with or offering for sale.

It is therefore essential for the Appellants to establish that the construction put upon Section 39 by the Court of Appeal in this case and in the earlier cases is wrong.

The Appellants say that Section 39 of the Act of 1905 confers an exclusive right to the use of the trade mark upon or in connexion with the goods in respect of which it is registered, and that therefore, where the trade mark is a word, that word cannot be used by anyone else upon or in connexion with such goods even though the use is in a phrase or sentence intended to indicate that the goods are not goods originating with the owner of the registered mark.

The contention may be put in another way, namely, that to constitute an infringement of the exclusive right conferred by Section 39 it is not necessary that the word should be used by the alleged infringer as a trade mark, that is for the purpose of indicating that the goods have "by virtue of manufacture, selection, certification, dealing with or offering for sale" their origin with him who employs the word

The Appellants support their view by calling attention to (1) the fact that Section 39 does not contain any words defining or limiting the purpose of the user corresponding to the words indicating purpose appearing in the definition of "Trade Mark" contained in Section 3 of the same Act, (2) the fact that certain defences to a claim of infringement are made expressly available by the Act, and (3) the contrast between the language employed in Section 39 and that employed in Section 4 of the Act of 1919 with reference to trade marks in Part B of the register.

They accordingly urge that the exclusive right conferred by Section 39 is not confined to user in relation to any particular purpose and that the claim to enforce the right cannot be met by any defence outside those arising expressly under the provisions of the statutes.

* * *

It is true that the language of the definition of a trade mark contained in Section 3 of the Act of 1905 cannot without some change of form be read directly into Section 39, but it is equally true that the language of Section 39 must carry with it some implied limitation, unless it is to be given a meaning extending its operation although outside the scope of the *Trade Marks Acts*.

The phrase "the exclusive right to the use of such trade mark" carries in my opinion the implication of use of the mark for the purpose of indicating in relation to the goods upon or in connection with which the use takes place, the origin of such goods in the user of the mark by virtue of the matters indicated in the definition of "trade mark" contained in Section 3.

Here, in my view, this element is not present. As already mentioned the marks, *Revlon* and *COLORSILK*, appear prominently on the top, bottom and all four sides of the

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defendants' packages as well as in the chart and the marks *Miss Clairol* and *Hair Color Bath*, which appear only in the chart, appear in smaller print than the marks, *Revlon*, and *COLORSILK*. The chart moreover is headed *COMPARATIVE HAIR COLOR SHADE CHART*, followed by the words *The sparkling, natural-looking Revlon Hair Color Shades correspond approximately to the competitive shades indicated*. In these circumstances, it is, I think, abundantly clear from looking at the packages that the marks, *Miss Clairol* and *Hair Color Bath*, are not intended to indicate and do not indicate to anyone that the contents of the package are the defendants' goods. Nor do I think it likely that any prospective purchaser of a package of these wares would be likely to be deceived by the presence of the marks, *Miss Clairol* and *Hair Color Bath*, as they appear on the package, into thinking that they were intended to indicate the origin of the goods in the package.

If, as I think, this is the correct interpretation of section 19 the conclusion that the plaintiffs' exclusive rights under the section are not infringed applies *a fortiori* so far as the brochures complained of and the presence of the plaintiffs' trade marks in the comparative shade charts contained therein are concerned since in the case of these charts neither of the elements I have mentioned is present.

On this ground of attack as well, therefore, the plaintiffs' case, in my opinion, fails. It is, however, in my view, of some importance to bear in mind that in the case of the packages the attack failed not because the trade marks were not used "in association with" the defendants' goods within the meaning of sections 2(v) and 4(1) but because the use made of them "in association with" the defendants' goods was not a use for the purpose of distinguishing the goods as goods of the defendants and for that reason alone was not a use the exclusive right to which had been conferred on the plaintiffs by section 19.

This brings me to the remaining ground put forward, that is to say, that the defendants in having the plaintiffs' marks on their packages and in their brochures are using the plaintiffs' trade marks "in a manner likely to have the effect of depreciating the value of the goodwill attaching thereto" within the meaning of the prohibition of section 22(1) of the Act.

Section 22 is a new section in the 1952-53 statute and thus far, so far as I am aware, there have been no decided cases in which it has been applied. Nor am I aware of any similar provisions having been enacted in any other country. There would be I think no difficulty in concluding that the section would find application in cases of the use of a well known trade mark by someone other than its registered owner but in a non-competing field of trade or in association with wares or services in respect of which it is not registered. It may be observed of this type of case that the use of the trade mark might, though it would not necessarily, be deceptive. Deception, however, is not the test prescribed by section 22, rather the test is the likelihood of depreciating the value of the goodwill attaching to the trade mark, a result which would not necessarily flow from deception and which might result without deception being present. In any event the present is not a situation of the type mentioned and the question remains whether the section applies to it.

In its ordinary sense the language of section 22(1) is, I think, broad enough to embrace uses likely to have the result of depreciating goodwill which are far removed from the type of case I have mentioned. Indeed in its ordinary sense the language seems broad enough to include a conversation in which a person adversely criticizes goods which he identifies by reference to their trade mark. I regard it as highly unlikely, however, that so broad a prohibition could have been intended. In the course of his argument Mr. Henderson treated the meaning of "use" as referring to use only in competitive trading, but while I think that use in the course of trading is a limitation which is obviously present, the statute being one relating to trade marks and unfair competition, this too would leave very wide scope for the prohibition. There are many common instances of the use of trade marks in the course of trading which I do not think the section could have been intended to prohibit. A trade mark is "used", for example, in this sense in the course of trade when a shopkeeper exhibits a poster on his counter or in his shop with a comparative price list indicating by reference to their trade marks the goods of several traders who may be competitors of one another. It is also used in this sense in the course of trade when a sales clerk makes reference to it in the course of

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discussing the merits of the owner's goods with a customer, whether in comparison with the goods of other traders or not. Such uses could, depending on what was being said, tend to adversely affect the goodwill attaching to a trade mark but I do not think the statute is intended to forbid legitimate comparisons or criticisms of that kind. Rather I think the verb "use" in section 22 is to be interpreted by reference to the definition of the noun "use" in section 2(v) the effect of which is to confine the application, and therefore the prohibition, of section 22 to a use which any person may make, in association with goods or services within the meaning of the subsections of section 4, of another's registered trade mark, in such a manner as to depreciate the value of the goodwill attaching thereto.

As applied to a case of this kind section 22(1) might in accordance with this interpretation be read as follows:

No person shall use in association with wares within the meaning of section 4 a mark that is used by another person for the purpose of distinguishing or so as to distinguish wares manufactured etc. by him from those manufactured etc. by others and which mark has been registered by him as his trade mark, in a manner likely to depreciate the value of the goodwill attaching thereto.

If, as I think, this is the correct way to interpret the verb "use" in section 22(1) it follows from what I have already said when considering section 4 that the presence of the plaintiffs' trade marks on the defendants' packages is within the meaning of "use" in section 22(1) but that their presence in the defendants' brochures is not within it. It remains, however, to consider whether the use so made of the plaintiffs' marks on the defendants' packages is use in a manner likely to depreciate the value of the goodwill attaching to the plaintiffs' marks.

This raises as well for the first time, so far as I am aware, the question of what is to be regarded as the goodwill attaching to a trade mark. The goodwill of a business is a well known concept but the goodwill attaching to a trade mark is I think not likely to be quite the same or to be as extensive as the goodwill of the business in which it is used save possibly in the rare case where all the goods sold in the course of the business bear a particular trade mark and the location where the business is carried on has no significance at all in attracting former or new customers.

In *Trego v. Hunt*⁶ Lord Herschell in discussing the meaning of goodwill of a business, after referring to a statement by Lord Eldon in *Cruttwell v. Lye* that “the goodwill which has been the subject of sale is nothing more than the probability that the old customers will resort to the old place” proceeded thus at page 17:

If the language of Lord Eldon is to be taken as a definition of goodwill of general application, I think it is far too narrow, and I am not satisfied that it was intended by Lord Eldon as an exhaustive definition.

“‘Goodwill’, I apprehend”, said Wood V.-C. in *Churton v. Douglas* “must mean every advantage—every positive advantage, if I may so express it, as contrasted with the negative advantage of the late partner not carrying on the business himself—that has been acquired by the old firm in carrying on its business, whether connected with the premises in which the business was previously carried on, or with the name of the late firm, or with any other matter carrying with it the benefit of the business”. The learned Vice-Chancellor pointed out in this connection that it would be absurd to say that when a large wholesale business is conducted the public are mindful whether it is carried on in Fleet Street or in the Strand.

The question, what is meant by “goodwill”, is, no doubt, a critical one. Sir George Jessel, discussing in *Ginesi v. Cooper* the language of Wood V.-C. which I have just quoted, said: “Attracting customers to the business is a matter connected with the carrying of it on. It is the formation of that connection which has made the value of the thing that the late firm sold, and they really had nothing else to sell in the shape of goodwill.” He pointed out that, in the case before him, the connection had been formed by years of work. The members of the firm knew where to sell the stone, and he asks: “Is it to be supposed that they did not sell that personal connection when they sold the trade or business and the goodwill thereof?”

The present Master of the Rolls took much the same view as to what constitutes the goodwill of a business. I cannot myself doubt that they were right. It is the connection thus formed, together with the circumstances, whether of habit or otherwise, which tend to make it permanent, that constitutes the goodwill of a business. It is this which constitutes the difference between a business just started, which has no goodwill attached to it, and one which has acquired a goodwill. The former trader has to seek out his customers from among the community as best he can. The latter has a custom ready made. He knows what members of the community are purchasers of the articles in which he deals, and are not attached by custom to any other establishment.

Lord Macnaghten also said at page 23:

What “goodwill” means must depend on the character and nature of the business to which it is attached. Generally speaking, it means much more than what Lord Eldon took it to mean in the particular

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case actually before him in *Crittwell v. Lye*, where he says: "the goodwill which has been the subject of sale is nothing more than the probability that the old customers will resort to the old place" Often it happens that the goodwill is the very sap and life of the business, without which the business would yield little or no fruit. It is the whole advantage, whatever it may be, of the reputation and connection of the firm, which may have been built up by years of honest work or gained by lavish expenditure of money.

Lord Macnaghten considered the question again a few years later in *Inland Revenue Commissioners v. Muller & Co.'s Margarine, Limited*⁷ where at page 223 he said:

What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates. Goodwill is composed of a variety of elements. It differs in its composition in different trades and in different businesses in the same trade. One element may preponderate here and another element there.

* * *

For my part, I think that if there is one attribute common to all cases of goodwill it is the attribute of locality. For goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business. Destroy the business, and the goodwill perishes with it, though elements remain which may perhaps be gathered up and be revived again. No doubt, where the reputation of a business is very widely spread or where it is the article produced rather than the producer of the article that has won popular favour, it may be difficult to localise goodwill.

I have quoted from these cases at some length because in my opinion the goodwill attaching to a trade mark referred to in section 22, while not necessarily the same as or co-extensive with the meaning of goodwill as applied to a business, is made up of similar elements. The element of the location from which the goods bearing the trade mark emanate is, at least in the case of widely advertised marks such as the plaintiffs, in my view, of comparatively little importance. The place or places could I think in such cases be changed within rather wide limits with comparatively little effect on the goodwill attaching to the trade mark. But the element of the likelihood of a satisfied purchaser of goods bearing the trade mark purchasing goods again by

⁷ [1901] A.C. 217.

reference to it is I think a large element of the goodwill attaching to it. The likelihood that such customers will tell their friends of their satisfaction with the product is I think another element of it. Yet another element is the effect of such persuasion to purchase the product as advertising may achieve whether to attract new customers or to induce former customers to continue to use the product identified by the mark. To paraphrase Lord Macnaghten's expression in *Trego v. Hunt*⁸ the goodwill attaching to a trade mark is I think that portion of the goodwill of the business of its owner which consists of the whole advantage, whatever it may be, of the reputation and connection, which may have been built up by years of honest work or gained by lavish expenditure of money and which is identified with the goods distributed by the owner in association with the trade mark.

Then what is meant by "depreciate the value" of such goodwill. To my mind this means simply to reduce in some way the advantage of the reputation and connection to which I have just referred, to take away the whole or some portion of the custom otherwise to be expected and to make it less extensive and thus less advantageous. As I see it goodwill has value only to the extent of the advantage of the reputation and connection which its owner enjoys and whatever reduces that advantage reduces the value of it. Depreciation of that value in my opinion occurs whether it arises through reduction of the esteem in which the mark itself is held or through the direct persuasion and enticing of customers who could otherwise be expected to buy or continue to buy goods bearing the trade mark. It does not, however, as I see it, arise, as submitted by Mr. Henderson, from danger of loss of exclusive rights as a result of use by others as this in my view represents possible loss of exclusive rights in the trade mark itself rather than reduction of the goodwill attaching to it.

I have already expressed the opinion that it has not heretofore been considered to be dishonest for a person in business to seek by honest means to attract away the customers of a competitor and thus to reduce the custom which the competitor enjoys. The right to do this, however, if it can be called a right, is, as indicated, dependant on

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the honesty of the means used and cases such as *Trego v. Hunt*⁹ point out the limits to which at common law and in equity such means might go. Thus in that case, which was concerned with the rights of one of the vendors of an established business in starting up a new business in competition with that sold, Lord Herschell said at page 20:

It is often impossible to draw the line and yet possible to be perfectly certain that particular acts are on one side of it or the other. It does not seem to me to follow that because a man may, by his acts, invite all men to deal with him, and so, amongst the rest of mankind, invite the former customers of the firm, he may use the knowledge which he has acquired of what persons were customers of the old firm in order, by an appeal to them, to seek to weaken their habit of dealing where they have dealt before, or whatever else binds them to the old business, and so to secure their custom for himself. This seems to me to be a direct and intentional dealing with the goodwill and an endeavour to destroy it. If a person who has previously been a partner in a firm sets up in business on his own account and appeals generally for custom, he only does that which any member of the public may do, and which those carrying on the same trade are already doing. It is true that those who were former customers of the firm to which he belonged may of their own accord transfer their custom to him; but this incidental advantage is unavoidable, and does not result from any act of his. He only conducts his business in precisely the same way as he would if he had never been a member of the firm to which he previously belonged. But when he specifically and directly appeals to those who were customers of the previous firm he seeks to take advantage of the connection previously formed by his old firm, and of the knowledge of that connection which he has previously acquired, to take that which constitutes the goodwill away from the persons to whom it has been sold and to restore it to himself.

This passage appears to me to parallel very closely a concept which I think is implicit in and to have been intended by section 22(1). The person referred to in section 22(1) is not one who is under any disability by reason of his having sold or been party to the sale of the goodwill referred to but he is prohibited by the statute from using, in the sense that I have indicated, the trade mark of another in a manner likely to have the effect of depreciating the goodwill attaching thereto. He may of course put information on his wares for the purpose of telling customers about his own wares in order to get the customers to buy them in preference to those of the owner of a particular trade mark. In general how he may do that is left to his own ingenuity and provided the means adopted are honest

⁹ [1896] A.C. 7.

means no one can challenge him. But he may not put his competitor's trade mark on his goods for that purpose or for the purpose of carrying a message to customers who are familiar with the goods identified by the trade mark in order to facilitate their purchase of his own goods and thus to reduce the chance that new customers hearing of the goods identified by the mark would buy them in preference to his or that old customers familiar with the goods identified by the trade mark would have continued buying the goods of the owner of the mark. In short he may not use his competitor's trade mark for the purpose of appealing to his competitor's customers in his effort to weaken their habit of buying what they have bought before or the likelihood that they would buy his competitor's goods or whatever binds them to his competitor's goods so as to secure the custom for himself, for this is not only calculated to depreciate and destroy his competitor's goodwill but is using his competitor's trade mark to accomplish his purpose.

Here as I see it all the elements necessary for the application of section 22 are present. The plaintiffs have what is admittedly a well known registered trade mark, *Miss Clairol*, to which I have no doubt a substantial body of goodwill is attached. They have as well the registered trade mark, *Hair Color Bath*, which it appears was registered in October 1961 after satisfying the Registrar of its distinctiveness. It had been used before that and has been extensively used since then. On the facts therefore I see no reason to doubt that some body of goodwill, the extent of which it appears to me to be unnecessary to attempt to assess, is attached to it as well. The defendants have both of these trade marks on the packages in which their wares are distributed and are thus using the marks in association with their wares within the meaning of section 4. They do this for the purpose of facilitating persons familiar with the plaintiffs' products to switch to using their products. Whether the purpose is legitimate or not it is not the name of the plaintiff but the plaintiffs' trade marks that are used for this purpose. That this is a course of conduct which would be likely to depreciate the goodwill attaching to the plaintiffs' marks is I think obvious but even that is made overwhelmingly clear by the fact that of all the

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persons competing in the hair color trade it is only the plaintiffs whose marks are used in the comparison charts on the defendants' packages, by the evidence of Mr. Thomas that the purpose of putting the charts on the packages was to promote the sale of their goods and by the evidence of Mr. Schwarz, who was the party responsible for the preparation of the wording on the packages, that the purpose was to suggest to customers that they could get approximately the same result from using a *Revlon* COLORSILK product as from the corresponding *Clairol* product in the hope of getting a part of the market enjoyed by the plaintiffs who represented the dominant competition in the field. When parties have done what is complained of for the express purpose of taking away custom enjoyed by competitors and persist in it I see no reason to doubt that they are succeeding in their purpose.

I am accordingly of the opinion that the use made by the defendants of the plaintiffs' trade marks *Miss Clairol* and *Hair Color Bath* on its packages was and is a use of them in a manner likely to depreciate the value of the goodwill attaching thereto within the meaning of section 22(1) of the Act and that the plaintiffs are entitled to relief in respect thereof.

In the course of the trial evidence was given of the use by traders for various purposes of trade marks of others in catalogues and on their wares or the packages in which they are distributed in several other fields of trade, particularly in the automotive and other replacement parts fields, and it was submitted that the prevalence of this practice indicated that it was not objectionable or within the purview of what is prohibited by section 22(1). I do not regard it as necessary, however, for the purposes of this case, to consider the alleged practice. Obviously no such practice can lawfully prevail if it is contrary to the statute but in any event there are differences in the facts pertaining to each particular example offered in evidence when compared with the facts of the present situation and with each other. Whether these differences would make a difference in result if the owners of the particular trade marks sought to prevent the practice could, as I see it, be determined only if the question were properly raised and I do not think it aids the determination of this case to make an

assumption of the legality of the alleged practice and found any conclusion thereon. It should be clear that I express no opinion with respect to any of the examples in question.

The defendants raised by way of a partial defence the submission that the registration of the trade mark *Hair Color Bath* was invalid because the trade mark had never been used separately from the trade mark *Miss Clairol* and therefore could not have been distinctive at the time when it was registered. It was, however, established that the trade marks have appeared separately in a number of magazine advertisements, at least one of which was published before and the remainder since the registration of the trade mark, and that both in magazine advertisements and in the printed matter on the plaintiffs' packages distinctions are made by having the two marks in different sizes of type, usually in different colors of type and invariably with asterisks and footnotes indicating that they are separate trade marks. This in my view contradicts the defendants' assertion. The defence, accordingly, in my opinion has not been established.

It was also submitted that the present is a case in which the discretion of the Court under section 22(2) to decline to award damages or order an accounting of profits should be exercised in the defendants' favour. It is established, however, that the defendants' use of the plaintiffs' marks on its packages was part of a calculated plan to profit from the reputation and goodwill of the plaintiffs, who, at that time as a result of their earlier efforts to promote the sale of their products, enjoyed the bulk of the market. To excuse a defendant from payment for the consequences of his conduct in such circumstances would seem to me to be an open invitation to traders to act accordingly until stopped and I cannot think that to be the kind of case in which it was intended that the defendant should be excused.

In the result therefore the plaintiffs are entitled to relief in respect of the distribution by the defendants in the course of trade of hair color preparations in packages bearing color comparison charts which include the trade marks *Miss Clairol* and *Hair Color Bath* and I will hear the parties on the forms of the relief as well as on the subject of costs when application is made for judgment.

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