

Federal Court



Cour fédérale

**Date: 20220328**

**Docket: T-451-21**

**Citation: 2022 FC 416**

**Ottawa, Ontario, March 28, 2022**

**PRESENT: Madam Justice Pallotta**

**BETWEEN:**

**RICK SPAGNUOLO AND JOSEPH SYPOSZ**

**Applicants**

**and**

**RE/MAX HALLMARK REALTY LTD.**

**Respondent**

**JUDGMENT AND REASONS**

**I. Overview**

[1] Rick Spagnuolo and Joseph Syposz (Opponents), bring this statutory appeal pursuant to section 56 of the *Trademarks Act*, RSC 1985, c T-13 [*TMA*]. They seek an order that would set aside the Trademarks Opposition Board's (TMOB) decision rejecting their opposition to Re/Max Hallmark Realty Ltd.'s (RHR) trademark application no. 1,730,189 (Application) to register HALLMARK for real estate services, among other services.

[2] Since the Application was advertised for opposition purposes prior to June 17, 2019, when significant amendments to the *TMA* came into force, the grounds for opposing it derived from subsection 38(2) of the *TMA* as it read immediately before that date. References below to the statutory provisions for each ground of opposition refer to the provisions of the *TMA* as they read immediately before June 17, 2019, except that I use the spelling “trademark” rather than “trade-mark” as in the pre-June 17, 2019 *TMA*.

[3] The Opponents’ arguments in the opposition and this appeal focus primarily on the laudatory meaning of the word *hallmark*. They state the TMOB erred in fact and in law when it failed to recognize that HALLMARK is not registrable because: (i) it is clearly descriptive as a laudatory term denoting excellence, contrary to paragraph 12(1)(b) of the *TMA*; (ii) it has become recognized by ordinary and *bona fide* commercial usage as designating the quality of the subject services, and is therefore a mark whose adoption is prohibited by section 10 and not registrable according to paragraph 12(1)(e) of the *TMA*; and (iii) it lacks distinctiveness, as defined by section 2 of the *TMA*.

[4] Alternatively, if any trademark rights subsist in HALLMARK, the Opponents contend RHR cannot claim ownership of them and the TMOB erred in fact and law by finding otherwise. They argue that any use of HALLMARK as a trademark was licensed use of HALLMARK together with RE/MAX under a 2011 real estate franchise agreement, and such use enured to the franchisor’s benefit. Therefore, the Application does not comply with subsections 30(b) and 30(i) of the *TMA* because the basis for filing it, namely RHR’s claimed use of HALLMARK since March 1980, and RHR’s statement that it was entitled to use HALLMARK in Canada, were false. To the extent that any use of HALLMARK apart from RE/MAX gave rise to

independent rights in HALLMARK alone, the Opponents argue that simultaneous use of HALLMARK alone (as RHR's trademark) and with RE/MAX (as the franchisor's trademark) renders HALLMARK non-distinctive.

[5] RHR states that some of the alleged errors have not been properly raised in this appeal. The grounds of appeal set out in the Opponents' notice of application<sup>1</sup> are limited to certain errors that relate to the section 2 and 12(1)(b) opposition grounds, and "various findings of fact". In any event, RHR submits the Opponents have not demonstrated a reviewable error on any ground of opposition. The TMOB rejected each ground based on findings of fact or of mixed fact and law that are entitled to significant deference. RHR argues that the Opponents have failed to establish an extricable error of law, or a palpable and overriding error of fact or of mixed fact and law, that would warrant this Court's intervention to set aside the TMOB's decision and refuse the Application.

[6] For the reasons below, I find the TMOB did not commit a reviewable error in rejecting the opposition. Accordingly, this appeal is dismissed.

## II. **Issues and Standard of Review**

[7] The Opponents' written representations list four issues to be determined on this appeal. To their list of issues, I have added the grounds of opposition that relate to the TMOB's alleged errors, according to the Opponents' written representations:

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<sup>1</sup> The Opponents commenced this proceeding by filing a notice of appeal. They later made a motion for an order that the notice of appeal be deemed a notice of application under Rule 300(d) of the *Federal Courts Rules*. The motion was granted on April 21, 2021.

1. *Descriptiveness – s 12(1)(b)*: Whether the TMOB erred in fact and law in failing to find that the laudatory term *hallmark* was clearly descriptive of RHR’s services and contrary to paragraph 12(1)(b) of the *TMA*;
2. *Non-distinctiveness – s 2*: Whether the TMOB erred in fact and law in failing to find that the laudatory term *hallmark* was not distinctive of RHR;
3. *Prohibited mark– ss 10 and 12(1)(e)*: Whether the TMOB erred in fact and law in requiring the Opponents to prove that the generic English laudatory term *hallmark* had been used by the public in relation to the specific services of RHR;
4. *Identity of user – ss 50, 30(b), and 30(i)*: Whether the TMOB erred in fact and law in finding that RHR’s name and trademark RE/MAX HALLMARK REALTY LIMITED were not deemed by the franchise agreement or by section 50 of the *TMA* to be the trademark of the franchisor.

[8] I have considered whether the Opponents failed to raise any specific challenge to the TMOB’s decision in their notice of application, as RHR contends. In my view, the Opponents failed to properly raise two specific challenges that relate to the section 2 ground of opposition, as discussed in my analysis below.

[9] Turning to the standard of review, neither party filed new evidence in this appeal pursuant to subsection 56(5) of the *TMA*. Accordingly, I agree with the parties that appellate standards of review apply to all issues: *The Clorox Company of Canada, Ltd v Chloretec S.E.C.*, 2020 FCA 76 at paras 22-23, citing *Canada (Minister of Citizenship and Immigration) v Vavilov*, 2019 SCC 65 at para 36 [*Vavilov*].

[10] Since the applicable appellate standard of review is determined with reference to the nature of the question under review (*Vavilov* at paras 36-37), I have considered whether the TMOB’s alleged errors are errors of law on the one hand, or errors of mixed fact and law (except extricable errors of law) or of fact on the other. Questions of law are reviewed according to the correctness standard, and questions of fact or questions of mixed fact and law (absent an

extricable question of law) are reviewed for palpable and overriding error: *Vavilov* at para 37; *Housen v Nikolaisen*, 2002 SCC 33 at paras 8, 10, 19, 26-37 [*Housen*].

[11] The palpable and overriding error standard of review is highly deferential. As noted in *Venngo Inc v Concierge Connection Inc*, 2017 FCA 96 [*Venngo*] at paragraph 42 (citing *Canada v South Yukon Forest Corporation*, 2012 FCA 165 at para 46):

[42] [...] “Palpable” means an error that is obvious. “Overriding” means an error that goes to the very core of the outcome of the case. When arguing palpable and overriding error, it is not enough to pull at leaves and branches and leave the tree standing. The entire tree must fall.

### III. Analysis

#### A. *Background*

[12] RHR filed the Application to register HALLMARK on May 28, 2015. The Application was based on claimed use of HALLMARK in Canada since March 1980, in association with the following services:

Real estate services; real estate agent services; real estate agencies; real estate brokerage; real estate management; real estate consulting services, namely investment, development, and marketing; educational services, namely, conducting classes, seminars, conferences, and workshops in the field of real estate sales training; and arranging and conducting real estate conferences.

[13] The Application was advertised for opposition purposes in the *Trademarks Journal* on April 6, 2016. The Opponents filed their statement of opposition on September 6, 2016. Both parties filed written representations and attended an oral hearing before the TMOB. The TMOB rejected the opposition by its decision dated January 12, 2021.

[14] In trademark oppositions, a trademark applicant bears the legal onus of establishing, on a balance of probabilities, that its trademark application complies with the requirements of the *TMA*. This means that if a determinate conclusion cannot be reached after a consideration of all of the evidence, then the issue must be decided against the trademark applicant. However, there is an initial evidential burden on an opponent to adduce sufficient admissible evidence from which it could reasonably be concluded that the facts alleged to support each ground of opposition exist: *John Labatt Limited v The Molson Companies Limited*, [1990] FCJ No 533, 30 CPR (3d) 293 at 298 (FCTD). As discussed below, the TMOB rejected certain grounds of opposition based on the Opponents' failure to discharge their initial evidential burden.

B. *Descriptiveness – s 12(1)(b)*: Did the TMOB err in fact and law in failing to find that the laudatory term *hallmark* was clearly descriptive of RHR's services and contrary to paragraph 12(1)(b) of the *TMA*?

[15] The material date to assess descriptiveness under paragraph 12(1)(b) of the *TMA* is the filing date of the Application, namely May 28, 2015.

[16] Paragraph 12(1)(b) of the *TMA* states that a trademark is registrable if it is not:

<p>(b) whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French language of the character or quality of the goods or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin;</p>	<p>(b) qu'elle soit sous forme graphique, écrite ou sonore, elle donne une description claire ou donne une description fausse et trompeuse, en langue française ou anglaise, de la nature ou de la qualité des produits ou services en liaison avec lesquels elle est employée, ou en liaison avec lesquels on projette de l'employer, ou des conditions de leur production, ou des</p>
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personnes qui les produisent,  
ou de leur lieu d'origine;

[17] In their statement of opposition, the Opponents had alleged that HALLMARK is not registrable because it is clearly descriptive of the quality of the services specified in the Application, as a laudatory term meaning “excellence”. In support of this ground, the Opponents relied on the following dictionary definitions:

*hallmark:*

Noun – any distinctive feature esp. excellence (*Canadian Oxford Dictionary*, Oxford University Press, 2001)

Noun – a mark or sign of authenticity or excellence (*English Collins Dictionary*, 5th ed, Harper Collins Publishers, first published in 2000)

Noun – a mark indicating quality or excellence (*The American Heritage Dictionary of the English Language*, 5th ed, Houghton Mifflin Harcourt, 2016)

[18] The Opponents also argued that the descriptive character of the word *hallmark* was admitted by RHR’s officer and affiant, Mr. McLachlan. On cross-examination, when he was asked whether he knows what the word *hallmark* means, Mr. McLachlan responded, “it means to me a mark of excellence, a mark of work, a work of quality in the real estate business.”

[19] The TMOB set out the 12(1)(b) test as follows:

[40] The test under section 12(1)(b) of the Act considers whether the trade-mark as a whole is clearly descriptive or deceptively misdescriptive of the character or quality of the goods or services in association with which it is used or proposed to be used. “Character” means a feature, trait or characteristic of the goods or services and “clearly” means “easy to understand, self-evident or plain” [see *Drackett Co of Canada Ltd v American Home Products Corp* (1968), 55 CPR 29 at 34].

[20] The TMOB found:

[43] While the word “hallmark” has a laudatory connotation, I agree with the Applicant that it is not *clearly descriptive* of the Applicant’s real estate and related services. Rather, as above, it is a noun that refers to a distinctive feature, mark or sign indicating quality or excellence, but not a descriptor or adjective that *clearly describes* that the Applicant’s services are excellent.

[44] Accordingly, this ground of opposition is rejected.

[Emphasis in original.]

[21] The Opponents’ arguments begin with paragraph 43 of the TMOB’s decision. They submit the TMOB made two key factual findings, which have not been appealed, namely that (i) *hallmark* has a laudatory connotation; and (ii) *hallmark* is a noun that refers to a distinctive feature, mark or sign indicating quality or excellence. The Opponents allege the TMOB erred when it failed to apply those findings to the language of paragraph 12(1)(b) of the *TMA*—which expressly refers to quality—on the basis that *hallmark* is not a descriptor or adjective that clearly describes that RHR’s services are excellent.

[22] The Opponents argue the TMOB committed an error of law by importing an extra requirement into the paragraph 12(1)(b) test, that being a requirement that a general laudatory word, with a meaning that would apply to any good or service, must also specifically describe RHR’s services beyond its general meaning before it will be considered “clearly descriptive”. They say this extra requirement would effectively allow a trademark applicant to monopolize *publici juris* laudatory terms that should be excluded by paragraph 12(1)(b). Furthermore, the Opponents state that the TMOB failed to have regard to evidence that *hallmark* does have a meaning that specifically describes RHR’s services. Mr. McLachlan’s own definition of the



word was “a work of quality in the real estate business”, which ties the excellence to RHR’s real estate services. Excellence in RHR’s operations is the only inference that consumers can draw.

[23] The Opponents state the TMOB committed a second error of law by considering that *hallmark* is a noun rather than an adjective, as there is nothing in paragraph 12(1)(b) that speaks to the grammatical class of a clearly descriptive word or limits its application to adjectives as opposed to nouns.

[24] Finally, the Opponents state that the TMOB erred by relying on a false distinction—one that differentiates between a word that indicates quality but does not clearly describe quality. They submit this is a distinction without a difference. As noted above, they also allege that the TMOB erred by failing to have due regard to Mr. McLachlan’s definition.

[25] In support of their position, the Opponents rely on *JH Munro Limited v Neaman Fur Company Limited* (1946), [1947] 1 DLR 868, 6 CPR 97 [*JH Munro*], an action for infringement of the registered trademark “Gold Medal Furs” where the defendant had argued that the words “Gold Medal” (a noun) could not properly be the subject of a trademark registration. In that case, the Court agreed with the defendant and invalidated the plaintiff’s trademark registration. At page 876, the Court referred to *Re Joseph Crosfield & Sons Ltd* (1909), 26 RPC 837 (known as the *Perfection Case*) for the principle that “there are some descriptive words, such as ordinary laudatory epithets, that can never acquire distinctiveness, no matter what length of user may be proved”.

[26] The Opponents also rely on the following passage from *JH Munro*, at page 878:

[...] In my judgment, the words “Gold Medal Furs” are common English words, connoting the winning of a gold medal or suggesting furs of such high quality as to merit the award of such a medal. The words “Gold Medal” as applied to furs are synonymous of first class quality and clearly suggestive of such a high degree of excellence as to be of gold medal winning quality or of the highest order of merit. In that sense they are in the nature of laudatory or commendatory epithets. The words draw attention to the superior quality of the furs, and do not serve the purpose of distinguishing them as those of the plaintiff and of no one else. They do not meet the requirement of distinctiveness referred to in the cases and are not apt or appropriate for trade mark use. Under the circumstances I have come to the conclusion that the plaintiff’s alleged trade mark “Gold Medal Furs” lacked the necessary quality of distinctiveness and did not, therefore, contain the essentials necessary to constitute a trade mark, properly speaking, within the meaning of s. 11 of the *Trade Mark and Design Act* and was not validly registered.

[27] RHR submits that the TMOB committed no extricable legal error. As a result, the TMOB’s determination that HALLMARK is not clearly descriptive of RHR’s services is entitled to significant deference and should only be overturned for palpable and overriding error. RHR contends there is no palpable and overriding error in this case. The word *hallmark* is not synonymous with “excellence”; rather, it is a noun having several meanings that are not necessarily laudatory. The Opponents’ argument that the word clearly describes quality cannot be sustained based only on parts of the dictionary definitions reproduced above. RHR relies on the following additional definitions:

*hallmark:*

Any distinguishing feature or characteristic (*Dictionary.com*)

A mark of genuineness (*Black’s Law Dictionary*, 10th ed)

A mark or device to indicate origin, purity or genuineness (*Merriam Webster*)

[28] Furthermore, RHR submits that the context of use matters. In this case, RHR's evidence of use shows that HALLMARK is not used in a laudatory way; it is used as a brand to identify RHR's real estate services.

[29] RHR argues there was ample evidence in the record to support the TMOB's findings, including evidence that its founder Ted Lorimer was affectionately known as "Harry Hallmark", that other RE/MAX franchisees use their own unique trademark side-by-side with RE/MAX in the same manner as RHR, and that the public would perceive from RHR's use that HALLMARK is used as a trademark. However, the TMOB did not refer to any of this evidence in its 12(1)(b) analysis and in my view, it is not relevant to the question of whether the TMOB committed a reviewable error when it rejected the 12(1)(b) ground of opposition.

[30] To start with the alleged legal errors, the Opponents argue that the TMOB committed two errors of law in rejecting the 12(1)(b) ground of opposition. The Opponents do not assert that the TMOB stated the wrong test under paragraph 12(1)(b) of the *TMA*, but rather, that it erred by applying a different test or in its application of the facts to the legal test.

[31] I am not satisfied that the TMOB committed an error of law by applying the wrong test or in its application of the facts to the legal test. That the TMOB stated the correct test is a strong indication that the TMOB applied the correct test, absent some clear sign that it subsequently varied its approach: *Housen* at para 40.

[32] First, the TMOB did not require proof that *hallmark* specifically describes RHR's services beyond the word's general meaning, nor did it impose a requirement that HALLMARK

must describe excellence of a specific type or kind, or excellence that relates to a specific aspect of the services in question. The Opponents do not point to any statement in the decision to suggest that the TMOB did so. Instead, they infer that the TMOB must have imposed this extra requirement because its finding that *hallmark* is a noun “indicating” excellence is all that is required to clearly describe something as being excellent according to the 12(1)(b) test. I disagree.

[33] Laudatory words are not a special category of automatically-excluded trademarks under the *TMA*. To be unregistrable for being clearly descriptive of quality, the word must be assessed according to the paragraph 12(1)(b) test. That test is not simply whether a word has a laudatory connotation—it must be “clearly” descriptive, and it must be clearly descriptive not of quality in an abstract sense, but of the quality of the goods or services in association with which it is used or proposed to be used. Courts have consistently recognized that a trademark is registrable even though it is suggestive or even descriptive: *Mövenpick Holding AG v Exxon Mobil Corporation*, 2011 FC 1397 at para 29. Courts also permit the skilful allusion to a characteristic of the associated goods or services: *ibid*. Stated another way, the wording of paragraph 12(1)(b) contemplates the acceptance of some descriptive connotation: *Fox on Canadian Law of Trademarks and Unfair Competition*, 4th ed (Toronto: Carswell, 2002) at § 5:27.

[34] The TMOB’s findings that *hallmark* has a laudatory connotation, and that it refers to a distinctive feature, mark or sign indicating quality or excellence, do not compel a conclusion that HALLMARK is unregistrable under paragraph 12(1)(2) or undermine the TMOB’s conclusion that HALLMARK does not *clearly describe* that RHR’s services are excellent. Furthermore, the TMOB’s findings and its conclusion relate to the general meaning of the word, and both are

consistent with the definitions in the dictionary passages that the Opponents introduced. Some words may have a sufficiently strong connotation of excellence so as to clearly describe the excellent quality of just about any goods or services. The TMOB did not find *hallmark* to be such a word in this case. I will return to this point in my analysis of whether the TMOB committed a palpable and overriding error of fact or of mixed fact and law in relation to the paragraph 12(1)(b) opposition ground.

[35] Second, I am not persuaded that the TMOB committed an error of law by considering that *hallmark* is a noun. Grammar can be relevant when assessing whether a trademark is clearly descriptive of the character or quality of associated goods or services (for example, see *Canadian Council of Professional Engineers v APA - The Engineered Wood Association*, [2000] FCJ No 1027 at para 57, 184 FTR 55, where the fact that “engineered” functioned as a verb (past participle) was relevant to assessing whether the trademark at issue was deceptively misdescriptive of the persons (noun) engaged in the production of the goods and services under paragraph 12(1)(b)). In any event, the TMOB did not exclude HALLMARK from the ambit of paragraph 12(1)(b) based on its character as a noun. In fact, the TMOB found it is not “a descriptor or adjective” that clearly describes that RHR’s services are excellent, and a descriptor can be a noun. The TMOB’s finding in no way suggests, as the Opponents assert, that a noun is incapable of being clearly descriptive of quality.

[36] Since the Opponents have not established that the TMOB made an error of law in rejecting the paragraph 12(1)(b) ground of opposition, I will turn to whether it committed a palpable and overriding error of fact or of mixed fact and law (the application of the facts to the legal test).

[37] Before doing so, it is helpful consider what is meant by palpable and overriding error. As stated by the Federal Court of Appeal in *Mahjoub v Canada (Minister of Citizenship and Immigration)*, 2017 FCA 157 [*Mahjoub*]:

[62] “Palpable” means an error that is obvious. Many things can qualify as “palpable.” Examples include obvious illogic in the reasons (such as factual findings that cannot sit together), findings made without any admissible evidence or evidence received in accordance with the doctrine of judicial notice, findings based on improper inferences or logical error, and the failure to make findings due to a complete or near-complete disregard of evidence.

[63] But even if an error is palpable, the judgment below does not necessarily fall. The error must also be overriding.

[64] “Overriding” means an error that affects the outcome of the case. It may be that a particular fact should not have been found because there is no evidence to support it. If this palpably wrong fact is excluded but the outcome stands without it, the error is not “overriding.” The judgment of the first-instance court remains in place.

[38] The Opponents submit the TMOB erred by relying on a false distinction between a word that “indicates quality” and one that “clearly describes” quality. As I understand the argument, and borrowing from the language in *Mahjoub*, the Opponents contend that there is obvious illogic in the reasons because the TMOB made findings that cannot sit together. In other words, after finding that *hallmark* “indicates quality”, it was not open to the TMOB to conclude that it falls outside of paragraph 12(1)(b) as a word that does not *clearly describe* the quality of RHR’s services as excellent.

[39] Furthermore, the Opponents say that the TMOB effectively ignored Mr. McLachlan’s evidence that *hallmark* means a work of quality in the real estate business. The only inference that customers can draw from RHR’s use of HALLMARK, whether alone or together with

RE/MAX, is one of excellence in respect of RHR's operations. Borrowing again from the language of *Mahjoub*, the Opponents' argument is that the TMOB's finding was made with complete or near-complete disregard of the evidence.

[40] I disagree with both arguments.

[41] As noted above, the TMOB's findings that *hallmark* has "a laudatory connotation", and that it is "a noun that refers to a distinctive feature, mark or sign indicating quality or excellence" are not inconsistent with its legal conclusion. Contrary to the Opponents' assertion, there is a distinction. Each case turns on its facts and the TMOB's factual findings are understood in the sense described in *Thomas J. Lipton, Limited v Salada Foods Ltd (No. 3)*, [1979] FCJ No 222, 45 CPR (2d) 157:

[...] "Connotation" means an implication or a suggestion. Even a "specific descriptive suggestion or implication" or "a clear implication or suggestion" that a mark is descriptive or misdescriptive is not sufficient to disqualify it for registration under s-s. 12(1)(b). That enactment admits of no mere implication or suggestion. [...]

[42] Excellence in RHR's operations is not the only inference that consumers can draw, as the Opponents contend. Indeed, the dictionary definitions reflect that *hallmark* is not necessarily laudatory—for illustration, symptoms can be hallmarks of a disease, and colour can be a hallmark of an artist's paintings.

[43] Furthermore, there is no basis to conclude that the TMOB disregarded relevant evidence in reaching its determination. Before concluding that HALLMARK is not clearly descriptive of

RHR's services, the TMOB referred specifically to the dictionary definitions put forward by the Opponents, and to Mr. McLachlan's evidence.

[44] With respect to Mr. McLachlan's evidence on cross-examination, I agree with RHR that the context of the exchange matters:

84 Q. Okay. Did your company coin the word "hallmark"?

MR. DICK: What does that mean?

MR. ALLSEBROOK:

85 Q. Did it invent the word "hallmark" or was it a pre-existing word?

A. Do you want me to answer that?

MR. DICK: Sure.

THE WITNESS: We did not invent the word "hallmark."

MR. ALLSEBROOK:

86 Q. Mm-hmm. Was it already a word in the English language?

A. Perhaps. Yes.

87 Q. Do you know one way or another?

A. I suppose it was.

88 Q. And what does it mean?

A. It means to me a mark of excellence, a mark of work, a work of quality in the real estate business.

89 Q. I see. So in your understanding of the word, it has no application outside the real estate business?

A. I am not a judge of linguistics. I don't know.

[45] Mr. McLachlan's evidence of his own personal understanding of the word does not contradict the TMOB's conclusion, and it is not even particularly material to the question before



the TMOB. In fact, the Opponents take the position that Mr. McLachlan’s “self-serving” affidavit evidence that RHR uses HALLMARK in a manner the public would perceive as trademark use is irrelevant, because he cannot speak to the perceptions and knowledge of the public: *Monster Cable Products, Inc v Monster Daddy, LLC*, 2012 FC 1260 at para 24.

[46] In light of the evidence that was before the TMOB, particularly the dictionary definitions that reflect the nuanced meanings of *hallmark*, I cannot conclude the TMOB made a palpable and overriding error in finding that HALLMARK is not clearly descriptive of the real estate and other services set out in the Application.

[47] RHR notes that the TMOB’s finding on the nature of the word *hallmark* is a thread that runs through its decision. In this appeal, the Opponents raise similar arguments about the laudatory nature of the word to challenge the TMOB’s findings on the section 2 and paragraph 12(1)(e) opposition grounds, which are considered below.

C. *Non-distinctiveness – s 2*: Did the TMOB err in fact and law in failing to find that the laudatory term *hallmark* was not distinctive of RHR?

[48] The material date to assess distinctiveness under section 2 of the *TMA* is the date the statement of opposition was filed, which was September 6, 2016.

[49] Section 2 of the *TMA* provides the following definition:

<p><b><i>distinctive</i></b>, in relation to a trade-mark, means a trade-mark that actually distinguishes the goods or services in association with which it is used by its owner from the goods or services of</p>	<p><b><i>distinctive</i></b> Relativement à une marque de commerce, celle qui distingue véritablement les produits ou services en liaison avec lesquels elle est employée par son propriétaire, des produits</p>
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others or is adapted so to  
distinguish them;

ou services d'autres  
propriétaires, ou qui est  
adaptée à les distinguer ainsi.

[50] According to the TMOB, the Opponents advanced three arguments supporting their section 2 ground of opposition: (i) HALLMARK is not a trademark as defined by section 2 of the *TMA*; it is not adapted so to distinguish because it is laudatory and lacks an arbitrary character in relation to RHR's services, and RHR did not demonstrate that the mark actually distinguishes RHR's services according to subsection 12(2) of the *TMA*; (ii) HALLMARK distinguishes the franchisor's services, not RHR's services; and (iii) Mr. McLachlan admitted that three other entities were unlawfully using HALLMARK.

[51] The TMOB found that the Opponents failed to meet their initial evidential burden with respect to all three prongs of the section 2 ground of opposition.

[52] Beginning with the third prong, the alleged unlawful use by three entities, the TMOB concluded this did not render HALLMARK non-distinctive because the use was licensed by RHR. The Opponents' notice of application in this appeal does not identify any error with the finding. Consequently, I consider that this issue is not before me: subsection 59(1) of the *TMA*; Rule 301(e) of the *Federal Courts Rules*, SOR/98-106; *Apotex Inc v Canada (Minister of Health)*, 2019 FCA 97 at paras 8-9. In any event, the Opponents' submissions in this appeal are limited to an assertion that HALLMARK lacks distinctiveness based on Mr. McLachlan's statement that three other entities were using the mark. This assertion simply repeats the submission made before the TMOB, which was rejected. As this appeal is not a *de novo* review

of the issues that were before the TMOB, and the Opponents have not pointed to a reviewable error with respect to the third prong, it is unnecessary to address it further.

[53] With respect to the second prong, the Opponents' notice of application alleged that the TMOB "[e]rred in fact and law in finding that [RHR's] name and trademark 'RE/MAX HALLMARK REALTY LIMITED' were not deemed to be the trademark of a third party licensor". According to their written submissions, this error relates to the subsection 30(b) and 30(i) grounds of opposition. RHR states that the Opponents first raised this as an error on the section 2 ground at the hearing of the appeal.

[54] I agree that the Opponents did not raise this as a section 2 error prior to their oral submissions. Even if they had, it would not change the result. For the reasons discussed in section E below, the TMOB did not err when it interpreted the franchise agreement to apply to the use and ownership of RE/MAX, not to the use or ownership of HALLMARK.

[55] Turning to the first prong, the Opponents allege the TMOB erred in finding that they had not met their initial evidential burden. They allege that HALLMARK is not a trademark as defined by section 2 of the *TMA* because it lacks an arbitrary character in relation to RHR's services and is therefore not "adapted so to distinguish" RHR's services from the services of others. *Hallmark* is a common English word, laudatory for any good or service, and ordinary laudatory epithets can never acquire distinctiveness: *JH Munro* at page 876. The word connotes excellent quality just as clearly as "Gold Medal Furs" and by its very nature, is common property that cannot be made the subject of a monopoly. It draws attention to the superior quality of RHR's services, a point the Opponents say was admitted by Mr. McLachlan.

[56] While the Opponents point to *JH Munro* for the principle that some descriptive words “can never acquire distinctiveness, no matter what length of user may be proved” (*JH Munro* at 876), the legislation has changed since then: *Standard Coil Products (Canada) Limited v Standard Radio Corporation*, [1971] FC 106, 1 CPR (2d) 155 at 166 (FCTD). A clearly descriptive mark may be registrable if it is established as a fact that the mark actually distinguishes the goods and services of its owner: *ibid*; ss 2 and 12(2) of *TMA* (see also subsection 12(3) of the current *TMA*).

[57] Recognizing this, the Opponents rely on *John Labatt Limited v Molson Breweries*, [2000] 3 FC 145, 252 NR 91 (FCA), for the principle that a descriptive term can only acquire distinctiveness if the evidence demonstrates that its trademark significance has become its dominant meaning, as a matter of first impression from the point of view of an everyday user of the goods or services in question. They state RHR has not demonstrated that HALLMARK has come to have a dominant meaning as a trademark, and RHR “has demonstrated no intention or use that is inconsistent with a mere plan to monopolize the descriptive use of a descriptive term”. Among other things, they argue that:

- apart from self-serving evidence from Mr. McLachlan, RHR did not put forward any evidence about how the public would perceive HALLMARK;
- Mr. McLachlan’s statement that the word *hallmark* means “a mark of excellence, a mark of work, a work of quality in the real estate business” is an admission that RHR uses HALLMARK as a descriptive term, and not to distinguish;
- RHR does not use a TM symbol, or otherwise prompt the public to view HALLMARK as a trademark;
- any use of HALLMARK alone is overwhelmed by the use of HALLMARK together with RE/MAX;
- despite decades of alleged use, RHR did not apply to register HALLMARK until 2015, five months after the Opponents founded Century 21 Hallmark Realty Inc.

[58] The Opponents allege that the TMOB's conclusion on the section 2 ground of opposition was palpably wrong because the TMOB had no reasonable basis to conclude that RHR had met the "heavy onus of proving that Hallmark has acquired a dominant meaning as a trade mark for real estate services". Alternatively, the TMOB erred by failing to consider subsection 32(2) of the *TMA*, which requires registrations based on acquired distinctiveness to be limited to the territory in which distinctiveness has been demonstrated. There was no reasonable basis to conclude that HALLMARK had acquired a dominant meaning outside the city of Toronto, because RHR's evidence related to services in the city of Toronto.

[59] I am not persuaded that the TMOB committed a reviewable error on the first prong of the section 2 ground. The Opponents bore an initial evidential burden to prove the allegations of fact supporting the non-distinctiveness ground (*Procter & Gamble Inc v Colgate-Palmolive Canada Inc*, 2010 FC 231 at para 71) and the TMOB found they had failed to meet this burden. Neither party has adduced new evidence in this appeal. Therefore, the question before me is whether the TMOB committed a reviewable error in assessing the admissible evidence before it, when it concluded that the Opponents failed to discharge their burden. Absent any allegation that the TMOB misapprehended the legal principles, or committed an extricable legal error in applying them, the applicable standard of review is palpable and overriding error.

[60] The Opponents relied on the same evidence as was advanced to support the paragraph 12(1)(b) ground—dictionary definitions from 2000, 2001, and 2016, and Mr. McLachlan's alleged admission on cross-examination in 2017—to argue that HALLMARK is not inherently distinctive (adapted so to distinguish). The TMOB held that the Opponents did not meet their initial evidential burden for the same reasons it rejected the paragraph 12(1)(b) ground and

another ground of opposition (paragraph 12(1)(e), a ground of opposition I will address below). Those reasons were that *hallmark* is not clearly descriptive, and there was no evidence to demonstrate that *hallmark* was commonly used in Canada as designating an aspect of the relevant real estate services—in fact, there was no evidence that any trader in the real estate industry had adopted *hallmark*, other than the Opponents.

[61] I appreciate that opposition grounds based on sections 2, 12(1)(b), and 12(1)(e) engage different legal tests, at different material dates. However, having relied on the same evidence and argument to support all three grounds, the Opponents point to no reason why the TMOB ought to have reached a different answer to the question of whether *hallmark* is a laudatory term that cannot function as a trademark for the section 2 ground in particular.

[62] Contrary to the Opponents' allegation, the TMOB did not conclude that RHR had met the "heavy onus" of proving that HALLMARK had acquired a dominant meaning as a trademark for real estate services. The TMOB was not required to assess whether RHR had met its burden to demonstrate that HALLMARK had acquired distinctiveness because the Opponents failed to meet their initial onus, so the onus never shifted to RHR.

[63] The Opponents have not demonstrated that the TMOB made a palpable and overriding error in rejecting the first prong of the section 2 ground of opposition.

D. *Prohibited mark – ss 10 and 12(1)(e)*: Did the TMOB err in fact and law in requiring the Opponents to prove that the generic English laudatory term *hallmark* had been used by the public in relation to the specific services of RHR?

[64] The material date for assessing the paragraph 12(1)(e) ground of opposition is the date of the TMOB's decision, which was January 12, 2021: *Olympus Optical Company Limited v Canadian Olympic Association* (1991), 38 CPR (3d) 1, 136 NR 231 (FCA). The TMOB also noted the Federal Court of Appeal's decision in *Republic of Cyprus (Ministry of Commerce and Industry) v International Cheese Council of Canada*, 2011 FCA 201 at paragraphs 10-16, where the Court referred to an argument that the material date for a 12(1)(e) ground of opposition based on section 10 of the *TMA* should be the date of first use, or March 1980 in this case. The TMOB addressed this ground of opposition as of both dates.

[65] According to paragraph 12(1)(e) of the *TMA*, a mark whose adoption is prohibited under section 10 is not registrable. Section 10 of the pre-June 2017 *TMA* states:

**Further prohibitions**

**10** Where any mark has by ordinary and bona fide commercial usage become recognized in Canada as designating the kind, quality, quantity, destination, value, place of origin or date of production of any goods or services, no person shall adopt it as a trade-mark in association with such goods or services or others of the same general class or use it in a way likely to mislead, nor shall any person so adopt or so use any mark so nearly resembling that mark as to be

**Autres interdictions**

**10** Si une marque, en raison d'une pratique commerciale ordinaire et authentique, devient reconnue au Canada comme désignant le genre, la qualité, la quantité, la destination, la valeur, le lieu d'origine ou la date de production de produits ou services, nul ne peut l'adopter comme marque de commerce en liaison avec ces produits ou services ou autres de la même catégorie générale, ou l'employer d'une manière susceptible d'induire en erreur, et nul ne peut ainsi adopter ou employer une marque dont la ressemblance

likely to be mistaken  
therefor.

avec la marque en question  
est telle qu'on pourrait  
vraisemblablement les  
confondre.

[66] The TMOB found:

[50] However, as held above in the section 12(1)(b) ground of opposition, while the word “hallmark” has a laudatory connotation, it is not *clearly descriptive* of real estate and related services. Furthermore, whether at the date of first use claimed, namely, March 1980, or at the date my decision, I agree with the Applicant that the Opponent’s evidence is insufficient to meet its burden of showing the Mark has become recognized in Canada through ordinary and *bona fide* commercial usage as designating real estate services as excellent. Indeed, there is no evidence that the term “hallmark” has been adopted by any other trader in the real estate industry other than the Opponent.

[67] The Opponents submit that the TMOB erred in law by applying a “clearly descriptive” test from paragraph 12(1)(b) to the question of whether HALLMARK is unregistrable under section 10 of the *TMA*, as the appropriate test under section 10 is a “designation” test. They submit *hallmark* is a term of universal application that must be taken to meet the designation test because it designates excellence to the public, of whatever goods and services to which it is applied.

[68] The Opponents argue that the TMOB erred in fact and law by requiring proof that the generic English laudatory term *hallmark* had been used by the public in relation to the specific services of RHR. They say it would be pointless to require evidence of a universal term being applied to a specific good or service, and it can be “taken as a given that it will be understood [as designating excellence] regardless of its history of use”.



[69] The Opponents further contend that, having found that *hallmark* is a noun that refers to a distinctive feature, mark or sign indicating excellence, the TMOB could not have reasonably concluded that HALLMARK achieved a new meaning in the real estate business that is distinct from the ordinary meaning of the word, without objective evidence to that effect. It is unlikely that the dominant meaning would be displaced without an overwhelming degree of usage, and furthermore, Mr. McLachlan admitted that the word *hallmark* designates excellence in the real estate business.

[70] I am not persuaded that the TMOB committed a reviewable error based on any of the above arguments.

[71] The TMOB addressed the test under section 10 of the *TMA* directly, finding that the Opponents had not met their initial burden to show that the term *hallmark* had become recognized in Canada through ordinary and *bona fide* commercial usage as designating real estate services as excellent.

[72] Again, absent extricable legal error in the application of the 12(1)(e) test, this Court should only intervene if satisfied that the TMOB committed a palpable and overriding error of fact or of mixed fact and law. The TMOB did not accept that *hallmark* is a generic English laudatory term denoting excellence, or that it is a term of universal application that designates excellence to the public of whatever goods and services to which it is applied. The TMOB noted the lack of evidence showing that *hallmark* had been commonly used in Canada so as to designate the quality of real estate services, with the only evidence of adoption being the Opponents.

[73] The Opponents have not established a palpable and overriding error in the TMOB's analysis of the 12(1)(e) opposition ground.

E. *Identity of user – ss 50, 30(b), and 30(i):* Did the TMOB err in fact and law in finding that RHR's name and trademark RE/MAX HALLMARK REALTY LIMITED were not deemed by the franchise agreement or by section 50 of the *TMA* to be the trademark of the franchisor?

[74] Alternatively, if any trademark rights subsist in HALLMARK, the Opponents contend RHR cannot claim ownership of such rights and the TMOB erred in fact and law by finding otherwise. The Opponents allege that RHR uses HALLMARK with RE/MAX pursuant to a 2011 franchise agreement which confers a license to use RE/MAX "with other words", and deems that any improvements or modifications to RE/MAX are owned by the franchisor. Furthermore, section 50 of the *TMA* precludes a licensee from claiming rights to an element of a licensed mark. As a result, the Opponents contend that the Application, which was based on RHR's use of HALLMARK since 1980, does not comply with subsection 30(b) of the *TMA* because that use (even use predating the franchise agreement, by the retroactive effect of section 50) enures to the franchisor's benefit.

[75] Similarly, the Opponents submit that the Application does not comply with subsection 30(i) because RHR's statement that it was satisfied of its entitlement to use HALLMARK in Canada was false. According to the Opponents, "[t]he application to register HALLMARK as a trademark is an assertion by the Respondents of ownership of a part of its licensor's trademark, which ownership it has acknowledged and agreed not to challenge". The Application was filed in bad faith because: (i) it contravenes the terms of the franchise agreement; (ii) section 50 of the *TMA* precludes an independent claim to part of a licenced trademark by a licensee, and the use of

HALLMARK within a composite mark is deemed by section 50 to be use of HALLMARK by the franchisor; and (iii) RHR is estopped by the common law doctrine of licensee estoppel from denying that any trademark rights in HALLMARK are the property of the franchisor (*Anne of Green Gables Licensing Authority Inc v Avonlea Traditions Inc*, [2000] OJ No 740, 4 CPR (4th) 289 (ONSC)).

[76] To the extent that any use of HALLMARK apart from RE/MAX gives rise to independent rights in HALLMARK, the Opponents argue that the simultaneous use of HALLMARK apart from RE/MAX (as RHR's trademark) and with RE/MAX (as an improvement or modification to RE/MAX that is owned by the franchisor) would render HALLMARK non-distinctive.

[77] The above arguments are premised on establishing that HALLMARK, at least when used with RE/MAX, is owned by the franchisor, and that the TMOB committed a reviewable error when it found that the franchise agreement does not relate to HALLMARK:

[36] However, the Applicant submits, and I agree, that the franchise agreement pertains to use and ownership of the term RE/MAX, and not of the term HALLMARK. Furthermore, the fact that the Applicant is required to obtain approval from the franchisor regarding any additional matter to be used in conjunction with the term RE/MAX, does not mean that the franchisor is also the owner of the trademark "Hallmark", or any other such additional matter. Although certain portions of the franchise agreement have been redacted, when queried, counsel for the Applicant indicated that all portions dealing with trademark usage had been provided; thus, there is no evidence to support that [the franchisor] is the owner of the Mark.

[78] The Opponents state that the TMOB erred because:

- The license requires the use of "RE/MAX" always with "other words".

- The license given under the franchise agreement is to use “RE/MAX” together with “Hallmark Realty Ltd.”
- There is no license to use “RE/MAX” alone or in any other form.
- The ownership of the name “RE/MAX Hallmark Realty Ltd.”, including trademark rights, lies with the licensor.
- The ownership of improvements and modifications to “RE/MAX” lies with the licensor.
- “Hallmark Realty Ltd.” in the Respondent’s name is an ‘improvement or modification’ to the trademark “RE/MAX”.
- “Realty” and “Ltd.” are generic elements.

[79] I am not persuaded that the TMOB made a reviewable error in finding that the franchise agreement does not pertain to the use and ownership of HALLMARK. Reviewing the redacted franchise agreement in the record, the requirement to use RE/MAX “with other words” (not alone) relates to a term that permits a franchisee to use RE/MAX as part of “its” (i.e., the franchisee’s) corporate name. There is no term stating that the franchisee’s corporate name would become the property of the franchisor. At the time the agreement was signed, RHR was identified by its corporate name and it signed the agreement as “RE/MAX HALLMARK REALTY LTD.”, yet the unredacted license terms do not refer to HALLMARK or Hallmark Realty Ltd., or state that these are the property of the franchisor.

[80] I cannot conclude that the TMOB made a reviewable error in interpreting the terms of the franchise agreement, and the Opponents have not established that the TMOB committed a reviewable error in rejecting the subsection 30(b) and 30(i) opposition grounds.

#### IV. **Conclusion**

[81] The Opponents have not established that the TMOB committed a reviewable error in rejecting its opposition to RHR’s Application, and accordingly, the appeal is dismissed.

[82] The parties did not make submissions on costs. If the parties cannot agree on costs, they shall provide written submissions within 20 days. Each side's submissions shall be 5 pages or less, not including any draft bill of costs or list of authorities.

**JUDGMENT in T-451-21**

**THIS COURT'S JUDGMENT is that:**

1. This appeal is dismissed.
2. If the parties are unable to reach an agreement on costs, any award of costs will be determined after the parties have served and filed written submissions of 5 pages or less (not including any draft bill of costs or list of authorities) within 20 days of the date of this Judgment.

"Christine M. Pallotta"

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Judge

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-451-21

**STYLE OF CAUSE:** RICK SPAGNUOLO AND JOSEPH SYPOSZ v  
RE/MAX HALLMARK REALTY LTD.

**PLACE OF HEARING:** HELD BY VIDEOCONFERENCE

**DATE OF HEARING:** AUGUST 27, 2021

**JUDGMENT AND REASONS:** PALLOTTA J.

**DATED:** MARCH 28, 2022

**APPEARANCES:**

David Allsebrook FOR THE APPLICANTS

Allan Dick FOR THE RESPONDENT

**SOLICITORS OF RECORD:**

Ludlow Law FOR THE APPLICANTS  
Barristers and Solicitors  
Toronto, Ontario

Sotos LLP FOR THE RESPONDENT  
Barristers and Solicitors  
Toronto, Ontario