

PARKE, DAVIS & COMPANY (*Plaintiff*)

AND

EMPIRE LABORATORIES LIMITED (*Defendant*)

APPELLANT;

RESPONDENT.

1963
*Nov. 28, 29

1964
Mar. 23

ON APPEAL FROM THE EXCHEQUER COURT OF CANADA

Trade marks—Infringement—Use of coloured bands around pharmaceutical capsules—Injunction—Relevancy of evidence of prior patent held in the United States—Trade Marks Act, 1952-53 (Can.), c. 49.

The plaintiff, a pharmaceutical company, claimed damages from the defendant, also a pharmaceutical company, for infringement of two of its registered trade marks consisting of a grey band encircling a capsule containing "chloramphenicol", and a green band encircling a capsule containing "digitalis". An injunction was also sought to restrain the defendant from selling any pharmaceutical preparations in association with any of the plaintiff's ten trade marks consisting of different coloured bands for encircling capsules, including the grey and green bands, all of which have been registered in Canada in 1950. The capsule is a small cylindrical gelatine container made up of two halves intended to contain a measured quantity of medicament. The coloured band is placed around the centre of the capsule at the point where the two halves are joined. It is made of the same substance as the capsule itself which it seals. The trial judge dismissed the action. The plaintiff appealed to this Court.

Held: The appeal should be dismissed.

The plaintiff's ten registered trade marks had a functional use or characteristic and could not, therefore, be the subject of a trade mark. There was ample evidence to support such a finding. There was also evidence that the plaintiff held between 1932 and 1949 a United States patent

*PRESENT: Cartwright, Fauteux, Ritchie, Hall and Spence JJ.

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on sealed capsules with similar bands. That evidence was relevant on this question of fact as to whether these bands had a functional use or characteristic. Evidence that the plaintiff so considered its bands when it applied for the U.S. patent in 1932 was surely some evidence that the bands had in fact a functional use.

As to the passing-off claim, the plaintiff had failed to show that the trade marks had been relied upon to distinguish its goods from any others.

APPEAL from a judgment of Noël J. of the Exchequer Court of Canada, dismissing an action for infringement. Appeal dismissed.

Christopher Robinson, Q.C., and Peter L. Beck, for the plaintiff, appellant.

Morris M. Kertzer, for the defendant, respondent.

The judgment of the Court was delivered by

HALL J.:—The appellant is the owner of 10 trade marks registered in Canada on September 19, 1950, as set out in the judgment of Noël J. from which this appeal is taken. These trade marks are identical except that each of the 10 refers to a distinct band colour, white, black, etc. The trade mark covering the white band reads in part as follows:

The mark of which registration is requested is a design mark, of which five accurate and complete representations are furnished herewith, its principal features requiring to be indexed being in the applicant's opinion, a white band applied approximately around the middle of a capsule and encircling the same.

The capsule referred to in all 10 trade mark registrations is a small cylindrical gelatin container made up of two halves intended to contain one measured quantity of some drug or other medicament for human consumption by swallowing the capsule and contents. The band, whether white or one of the other nine colours, is placed around the centre of the capsule at the point where the two halves are joined one into the other. The band is a strip of the same substance as the capsule itself which, when applied, creates a small bulge around the capsule and seals it.

The action proceeded to trial upon the following admission:

ADMISSION

For the purposes of this action only, the parties hereto admit the following facts:

1. Before February 18, 1960, the defendant sold in Canada a pharmaceutical preparation identified by it as chloramphenicol in bottles of

100 capsules of which the bottles and its contents marked Exhibit A to the affidavit herein of Thomas V. Grubb, dated February 15, 1960, is a typical sample.

2. The capsules of chloramphenicol referred to in paragraph 1 sold by the defendant were not manufactured by the defendant but were bought by it from a European supplier in the state in which they are found in the said Exhibit A and were then bottled and labelled by the defendant.

3. After February 18, 1960, the defendant sold in Canada a pharmaceutical preparation identified by it as chloramphenicol in bottles of 100 capsules of which the bottle and their contents identified as Exhibits I and II to this admission are typical samples.

4. The capsules of chloramphenicol referred to in paragraph 3 sold by the defendant were not manufactured by the defendant but were bought by it from a European supplier in the state in which they are found in the said Exhibits I and II and were then bottled and labelled by the defendant.

By an interim injunction made on February 18, 1960, the date of the commencement of the action, and by subsequent interlocutory injunctions dated February 23, 1960, March 8, 1960, April 14, 1960, and May 17, 1960, the respondent company was restrained until the trial or other disposition of the action from further sale of any pharmaceutical preparations in association with the appellant's gray banded or green banded trade marks or any trade mark confusing with them.

The issues in the action are fully set out in the judgment of Noël J. as follows:

After the first of the interlocutory orders, the defendant company, subsequent to February 18, 1960, changed over to a green band around its chloramphenicol capsules. Mr. Winters, president of the defendant company, states that a saleswoman from the Joint Marsing Co. came in to see him and showed him some samples of green banded capsules of chloramphenicol. As he put it at p. 82 of the transcript:

When we were ordered to stop selling the gray banded capsules, we said: "Fine, we are not interested in the colour, we will sell green banded capsules and gave her an order for the green banded chloramphenical capsules".

The plaintiff, therefore, claims that the defendant, by its actions, has infringed its rights in the trade marks registered under number N.S. 148/37803 (green) and N.S. 148/37804 (gray), has directed public attention to its pharmaceutical preparations in such a way as to be likely to cause confusion in Canada between the pharmaceutical preparations of the defendant and theirs and has passed off, and enabled others to pass off, its pharmaceutical preparations as and for theirs. It also states that it is apprehensive that if the defendant is restrained from using the green bands it will then begin to use, in association with the sale of its pharmaceutical preparations, one of the other of its registered colour banded marks and, therefore, requests an injunction restraining the defendant from selling, distributing and advertising any pharmaceutical preparations in association with any of the plaintiff's ten registered trade marks, an order directing the defendant to deliver on oath to the plaintiff all such pharmaceutical

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preparations as may be in the possession or power of the defendant bearing the plaintiff's said trade marks registered under number N.S. 148/37803 and N.S. 148/37804 or any trade mark confusing with either of the said trade marks, or alternatively, for the destruction on oath of such pharmaceutical preparations, damages or an account of the profits made by the defendant as to the plaintiff may elect, such further and other relief as the justice of the case requires and, finally, costs. The defendant, on the other hand, denies the plaintiff's allegations made in its statement of claim and adds that the plaintiff is not entitled to the exclusive use of the pharmaceutical preparation known as chloramphenicol and that it is, therefore, entitled to sell in Canada this pharmaceutical preparation.

An amended counterclaim granted on January 12, 1961, produced by the defendant, attacks the validity of the plaintiff's ten trade marks in that they would not be distinctive on their face nor capable of distinguishing one preparation from another. The defendant further alleges that the plaintiff's trade marks are distinguishing guises incapable of constituting a trade mark in that the gelatin band encircling the middle of each capsule performs the function of sealing the capsule; that this function is described in U.S.A. patent number 1861047, granted on May 31, 1932, and owned by the plaintiff prior to its expiry and that the plaintiff is thereby estopped from denying that the gelatin band encircling each capsule performs the said function. The defendant adds that bands of coloured gelatin around a gelatin capsule containing a pharmaceutical preparation were incapable of constituting a trade mark and that such bands are incapable of distinguishing particular pharmaceutical preparations. The defendant further states that the plaintiff is attempting to monopolize the process of using this process by registering the said trade marks. He finally urges that it is unlawful or contrary to good practice within the trade to distribute capsules containing chloramphenicol identified solely by a gray band encircling each. It then claims that the ten above mentioned registered trade marks be expunged and finally that it be allowed costs and such further and other relief as this Court may order.

The plaintiff never claimed, nor does it now, that it is entitled to the exclusive use of chloramphenicol nor that the defendant cannot sell this product in Canada. What it does say, however, is that defendant cannot sell any of its pharmaceutical products, be it chloramphenicol or any other, under the plaintiff's registered trade marks.

The validity of the trade marks may, in my view, be disposed of on the ground that the coloured bands have a functional use or characteristic and cannot, therefore, be the subject of a trade mark.

The law appears to be well settled that if what is sought to be registered as a trade mark has a functional use or characteristic, it cannot be the subject of a trade mark. With respect, I agree with Maclean J. when, in *Imperial Tobacco Company of Canada, Limited v. The Registrar of Trade Marks*¹, he said:

In my opinion any combination of elements which are primarily designed to perform a function, here, a transparent wrapper which is mois-

¹ [1939] Ex. C.R. 141 at 145, 2 D.L.R. 65.

ture proof and a band to open the wrapper, is not fit subject matter for a trade mark, and if permitted would lead to grave abuses.

Noël J. found as a fact that the gelatin band performed a function. There was ample evidence to support that finding. The appellant's Canadian manager, Mr. William Speed, said in his evidence:

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Q. 4 Forget for the moment any advantages or disadvantages of banding and forget for the moment colouring. Can we agree on one thing and that what a gelatin band does when it is put around a capsule is that it performs the function of sealing the capsule. Is that correct?

A. It performs the function of sealing the cap to the body.

* * *

Q. 1 And in view of the fact that the band is also composed of gelatin it sort of combines with the gelatin cap and body and makes it one whole capsule without any joints in it. Is that correct?

A. Yes.

But in addition to the evidence relied on by Noël J., there was evidence that the appellant at one time held a United States patent on sealed capsules with similar bands from 1932 until it expired in 1949. The relevant part of that patent read:

The present invention relates to capsules for containing measured quantities of materials such as drugs or other medicaments, including liquids, such as oils.

Heretofore, in enclosing dry materials in the ordinary two-part capsule, there has always been present the possibility and often the probability that the two parts, i.e., the cap and body, may become disengaged and the contents lost. Also, the many attempts to retain liquid material in the ordinary two-part capsule have been without success due to several causes. If the liquid be placed in the capsule without sealing in some manner, the liquid may creep between the two parts and be lost.

Many attempts at sealing have been resorted to, one such being the moistening of the body before applying the cap. This method is unsuccessful due to the shrinkage of the body away from the cap.

Among the objects of the present invention is to obviate all of these difficulties and provide the ordinary hardened gelatin capsule with an effective seal and thereby prevent losses of contents whether liquid or solid.

Another object is to provide a means of identification of the sealed in contents of such capsules.

* * *

It is also proposed to use different colors of sealing material so as to furnish a visible indication of the identity or general character of the contents and this is believed to be a novel feature in itself.

Now, having described the invention and the preferred form of embodiment thereof, it is to be understood that the said invention is to be lim-

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ited, not to the specific details herein described and illustrated, but only by the scope of the claims which follow:

I claim:—

1. As a new article of manufacture, a hardened gelatin capsule comprising telescopically engaged body and cap portions, each of uniform diameter throughout its length with oppositely disposed convex rounded ends and a circular band of hardened gelatin of substantially the same solubility as said capsule gelatin, said band being integrally united to both said body and cap and enveloping the annular edge of said cap.

2. As a new article of manufacture, a hardened gelatin capsule comprising telescopically engaged body and cap portions, each of uniform diameter throughout its length with oppositely disposed convex rounded ends and a circular band of hardened gelatin of substantially the same solubility as said capsule gelatin, said band being integrally united to both said body and cap and enveloping the annular edge of said cap, said band having incorporated therein means for imparting a color contrasting to the color of said body and cap.

3. As a new article of manufacture, a hardened gelatin capsule comprising telescopically engaged body and cap portions, each of uniform diameter throughout its length with oppositely disposed convex rounded ends and a circular soluble sealing band integrally united to both said body and cap and enveloping the annular edge of said cap.

Then, after the patent had expired, the appellant registered its 10 trade marks in Canada on September 19, 1950. In this way it sought to perpetuate its monopoly of the patent by applying for registration of the trade marks which, if regularly renewed, may be perpetuated. A similar situation arose in the case of *Canadian Shredded Wheat Company v. Kellogg Company et al.*¹

The shredded biscuit involved in that case was produced by an apparatus protected by a Canadian patent which expired in 1919. For some years thereafter the appellant continued in fact to enjoy the monopoly in Canada as no rival manufacturers appeared upon the scene. In 1928 the words "shredded wheat" were registered as the appellant's trade mark to be applied to the sale of biscuits and crackers and in 1929 the same words were registered with respect to cereal foods.

Lord Russell ((1938) D.L.R.) at p. 150 stated:

... There can be little doubt that had the plaintiff, when the patent expired, attempted to register the words "Shredded Wheat" as a trade mark for the sale of biscuits and crackers, the application would have met with short shrift. It would be attempting by registering the name of the patented product to prolong the patent monopoly; and this may not be done.

¹ [1938] 2 D.L.R. 145, 1 All E.R. 618, 55 R.P.C. 125.

And Lord Russell goes on to approve the dictum of Lindley L.J. in *Re Palmer's Trade Mark*¹:

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I do not mean to say that a manufacturer of a patented article cannot have a trade-mark not descriptive of the patented article so as to be entitled to the exclusive use of that mark after the patent has expired; for instance, if he impressed on the patented articles a griffin, or some other device; but if his only trade-mark is a word or set of words descriptive of the patented article of which he is the only maker, it appears to me to be impossible for him ever to make out as a matter of fact that this mark denotes him as the maker as distinguished from other makers.

In the present case the appellant's patent was not a Canadian but a United States patent, and the learned trial judge held the fact of the appellant having obtained the United States patent was not relevant to the question regarding Canadian trade mark rights and he declined to give any weight to the fact that the appellant had had the United States patent from 1932 to 1949. In the circumstances, it seems to me that the evidence was relevant. We are dealing here with what is essentially a question of fact, namely, have these coloured bands a functional use or characteristic? Evidence that the appellant so considered its bands when it applied for the United States patent in 1932 is surely some evidence that the bands have in fact a functional use.

It will not, therefore, be necessary to pass upon the contention that the appellant's trade marks reside in colour alone and cannot be the subject of a valid trade mark.

There remains to be dealt with the appellant's passing-off claim.

Section 7(b) of the *Trade Marks Act*, 1953, reads:

7. No person shall

* * *

- (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.

The learned trial judge, with respect, correctly stated the law and the burden that was on the appellant when he said, quoting from *J. B. Williams Company v. H. Bronnley & Company*²:

¹ (1883), 24 Ch. D. 504 at 521.

² (1909), 26 R.P.C. 765 at 771.

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What is it necessary for a trader who is plaintiff in a passing off action to establish? It seems to me that in the first place, he must, in order to succeed, establish that he has selected a peculiar—a novel—design as a distinguishing feature of his goods and that his goods are known in the market, and have acquired a reputation in the market by reason of that distinguishing feature, and that unless he establishes that, the very foundation of his case fails.

The learned trial judge then proceeded to analyze the relevant law. I find myself so completely in accord with his reasons that I adopt them and his conclusion stated by him as follows:

I have reached the conclusion that the plaintiff has not successfully discharged the burden of establishing that these trade marks distinguish its wares or indicate their common origin. I am also of the opinion that the plaintiff has not established that the manner in which its goods or wares were done up has become associated in the mind of the consumer or purchaser with its goods or wares and the evidence does not show that these marks have been relied upon by the pharmacists, physicians nor the public who consumes its goods as distinguishing them from all others.

The appeal should, therefore, be dismissed with costs.

Appeal dismissed with costs.

Solicitors for the plaintiff, appellant: Smart & Biggar, Ottawa.

Solicitors for the defendant, respondent: Horwitz & Kertzer, Ottawa.
