

THE CANADIAN SHREDDED WHEAT }
 COMPANY, LTD. (PETITIONER) } APPELLANT;

AND

KELLOGG COMPANY OF CANADA, }
 LTD. (OBJECTING PARTY) } RESPONDENT.

1939
 * May 26.
 * June 27.

ON APPEAL FROM THE EXCHEQUER COURT OF CANADA

Trade mark—Petition under s. 29 of Unfair Competition Act (Dom., 1932, c. 38)—Registration sought of certain words as trade mark—Effect of prior proceedings and decision therein dealing with same words previously registered as trade mark—Res judicata.

Appellant on May 5, 1938, presented a petition to the Exchequer Court of Canada, under s. 29 of the *Unfair Competition Act* (Dom., 1932, c. 38) for a declaration to enable appellant to register the words "Shredded Wheat" as a trade mark. Maclean J., dealing with certain points of law raised in a statement of objections by respondent, dismissed the petition, [1939] Ex. C.R. 58, one ground of dismissal being that the issues raised therein were *res judicata* by reason of the judgment of the Judicial Committee of the Privy Council, 55 R.P.C. 125 (affirming judgment of the Court of Appeal for Ontario, [1936] O.R. 613, affirming judgment of McTague J., [1936] O.R. 281), which held, in an action commenced in June, 1934, by appellant against respondent for alleged infringement of appellant's trade marks of the same words registered in March, 1928, and April, 1929, that said trade marks were not valid; that the words were purely descriptive of the product and had not acquired a secondary meaning as indicating goods exclusively manufactured by appellant.

Held: The dismissal of the petition should be affirmed. The said judgment of the Judicial Committee of the Privy Council in the former action clearly proceeded (as regards the issue of passing off raised in the action) on the footing that its findings were valid as of the date of the commencement of that action in June, 1934. *Res judicata* applied unless there were special user or special circumstances since June, 1934, on which could be based appellant's general plea that the words in question had at the date of the present petition acquired the essential secondary signification to entitle it to have the words registered as a trade mark. In the allegations in the petition no distinction was drawn as to the manner or circumstances of appellant's user of the words since June, 1934, and appellant's preceding long user thereof. Moreover, the effect of a certain undertaking by respondent at the outset of said former action was to give appellant a practical monopoly for nearly four years from June, 1934; and the effect of such a monopoly is, generally speaking, that in the absence of competition there is no occasion in anybody's mind for advertising to distinctiveness in respect of the maker or

* PRESENT:—Duff C.J. and Rinfret, Davis, Kerwin and Hudson JJ.

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seller of the goods (*Cellular Clothing Co. v. Maxton*, 16 R.P.C. 397, at 409; *Siegert v. Findlater*, 7 Ch. D. 801, at 813, referred to). On the allegations in the petition and the admitted facts, and there being no averment of special user or special circumstances as aforesaid, no reasonable ground is disclosed for granting the petition. As to appellant's contention that there was no estoppel by *res judicata* because in the present proceedings respondent appeared in a character (as a member of, and on behalf of, the public) different from that in which it was sued (in its personal character) in said former proceedings—*held*, that that was a technical point to which effect ought not to be given in the circumstances (*Reichel v. Magrath*, 14 App. Cas. 665).

APPEAL from the judgment of Maclean J., President of the Exchequer Court of Canada (1), dismissing appellant's petition, made under s 29 of the *Unfair Competition Act* (Dom., 1932, c. 38), for a declaration that it has been proved to the satisfaction of the Court that the words "Shredded Wheat"

have been so used by your petitioner as to have become generally recognized by dealers in and users of the class of wares in association with which they have been used, as indicating that your petitioner assumes responsibility for their character and quality and their place of origin, and that, having regard to the evidence adduced, your petitioner is entitled to registration thereof, pursuant to its application and that such registration should extend to the whole of Canada.

In 1896 one Perky obtained a grant of Canadian letters patent covering a new product which he had invented, and a process and machine by means of which the new product was prepared or produced; and in 1901 he obtained a grant of Canadian letters patent for "improvements in and relating to machines for making biscuits and other articles," which patent covered the machine which was used for the production of biscuit shapes, composed of the new product (the subject of the prior patent aforesaid) which issued from the rollers on to a travelling band. The said new product was called and was known by the name of shredded wheat. In 1904 appellant was incorporated under the laws of the Province of Ontario and acquired the good will of the business in Canada of the company which was at that time importing the product into Canada and selling it there. Appellant built a factory for its manufacture at Niagara Falls, Ontario, and in 1905 commenced and has ever since continued to manufacture the product in Canada and to sell

it there. The said patents expired in 1914 and 1919 respectively. On March 20, 1928, the words "Shredded Wheat" were registered as appellant's trade mark to be applied to the sale of biscuits and crackers; and on April 3, 1929, the same words were registered as its trade mark to be applied to the sale of cereal foods cooked or prepared for consumption (1).

In June, 1934, appellant commenced an action in the Supreme Court of Ontario against respondent (and one Bassin), claiming an injunction to restrain alleged infringement of appellant's said trade marks and for damages. The action was dismissed by McTague J. (2). An appeal from his judgment was dismissed by the Court of Appeal for Ontario (3). An appeal from its judgment was dismissed by the Judicial Committee of the Privy Council (4); it was held that appellant's said trade marks "Shredded Wheat" were not valid trade marks; that the words were purely descriptive of the product and had not acquired a secondary meaning as indicating goods exclusively manufactured by appellant. (It was also held that "passing off" by the defendants, which was also an issue in the action, had not been shown).

On May 5, 1938, appellant filed the present petition above mentioned under s. 29 of the *Unfair Competition Act*. Appellant alleged that on the same date (May 5, 1938) it filed a request for cancellation of the earlier registrations aforesaid, such cancellation to take effect upon the re-registration.

Notice of the filing of the present petition was published in the Canada Gazette. Respondent filed a statement of objections. Paragraphs 7, 19, 20 and 21 of the statement of objections read as follows:

7. The objecting party submits that by virtue of these proceedings and judgment [proceedings in said action commenced in June, 1934, and judgments therein, and ending in the said judgment of the Judicial Committee of the Privy Council of February 4, 1938] the validity of the trade mark "Shredded Wheat" and the issues raised in the petition are *res adjudicata* and that the petition should be denied and no further proceedings taken with respect thereto.

(1) For the above and further details, see the judgment of the Judicial Committee of the Privy Council, (1938) 55 R.P.C. 125, hereinafter mentioned.

(2) March 30, 1936, [1936] O.R. 281. (3) November 30, 1936, [1936] O.R. 613.

(4) February 4, 1938, 55 R.P.C. 125.

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19. The provisions of section 29 of the *Unfair Competition Act* are only applicable in an action or proceeding already pending in the Exchequer Court of Canada, and cannot be made available to a party by filing a petition.

20. The provisions of section 29 of the *Unfair Competition Act* are not applicable to an application to register a trade mark, but only in relation to the validity of a trade mark already registered.

21. The existence upon the register of the registrations referred to in paragraph 6 of the petition [aforesaid registrations by appellant of trade mark "Shredded Wheat"] form a bar to the petition.

An order was made (by consent) in the Exchequer Court of Canada that the points of law raised by said paragraphs 7, 19, 20 and 21 of the statement of objections should be set down for hearing and disposition before the Court. After the hearing, judgment was rendered by Maclean J., President of the Court, dismissing the appellant's petition (1). The present appeal was then brought to this Court.

It is stated in the judgment of this Court (now reported) that

On the argument before this Court the respondents did not rely on paragraphs 20 and 21 of the statement of objections and, as regards paragraph 19, in the view we take, we find it unnecessary to consider it.

With regard to the question of *res judicata* raised by said paragraph 7 of respondent's statement of objections, a contention of appellant in support of the present petition was, that the fact that the Judicial Committee of the Privy Council decided that in 1928 and 1929 the words "Shredded Wheat" were merely descriptive and not registrable, is not inconsistent with the contention that those words have now acquired, through use, the necessary character to permit registration under the provisions of s. 29 of the *Unfair Competition Act*. Another contention of appellant was that in the former proceeding the present respondent was sued in its personal character but in opposing the petition now in question it does not appear in its personal character but in the character of a member of the public; that in an action under the provisions of s. 29 of the *Unfair Competition Act*, a statement of objections, by whomsoever presented, is a statement of objections on behalf of the public, and is not personal to the objecting party, and in a legal point of view it is a mere accident that in this case the objecting

party was a party to a former litigation; that it is well settled that a party who, though identical in name, litigates in different characters in the two proceedings, is, in contemplation of law, two separate and distinct persons; that therefore the parties to the judicial decision relied upon as creating the *res judicata* were not the same persons as the parties to the present proceedings; and there can be no estoppel by *res judicata*.

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Aimé Geoffrion K.C., *A. H. Elder K.C.* and *E. G. Gowling* for the appellant.

O. M. Biggar K.C. and *R. S. Smart K.C.* for the respondent.

The judgment of the Court was delivered by

THE CHIEF JUSTICE.—The appellants presented a petition on the 5th day of May, 1938, to the Exchequer Court of Canada praying a declaration that the words “Shredded Wheat” had

been so used by your petitioner as to have become generally recognized by dealers in and users of the class of wares in association with which they have been used, as indicating that your petitioner assumes responsibility for their character and quality and their place of origin, and that, having regard to the evidence adduced, your petitioner is entitled to registration thereof, pursuant to its application and that such registration should extend to the whole of Canada.

The proceedings were taken with a view to obtaining a registration of the words mentioned as a trade mark under section 29 of the *Unfair Competition Act*. The respondents filed particulars of objections and paragraph 7 of those particulars is in these words:

7. The objecting party submits that by virtue of these proceedings and judgment the validity of the trade mark “Shredded Wheat” and the issues raised in the petition are *res adjudicata* and that the petition should be denied and no further proceedings taken with respect thereto.

By consent, an order was made directing that the points of law raised by paragraphs 7, 19, 20 and 21 in the statement of objections should be heard and disposed of before the trial. The allegations in paragraphs 4, 5 and part of 6 were admitted. These allegations are as follows:

4. On the 1st of June, 1934, the petitioner commenced an action in the Supreme Court of Ontario for an injunction to restrain infringement of the petitioner's alleged trade mark consisting of the words “Shredded Wheat,” registered at Folio 43550 of Register No. 198 and at Folio 46703 of Register No. 214, during the course of which action evidence was

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taken from some twenty-seven witnesses representing consumers, retail grocers and wholesale grocers from every province of Canada with the exception of Ontario and Quebec, with respect to which provinces a formal admission was made on behalf of the objecting party that similar witnesses from those provinces would, if examined on commission, testify to the same effect, the said witnesses being produced in an effort by the petitioner to establish that a secondary meaning had been acquired for the words "shredded wheat" to distinguish the product of the petitioner.

5. The aforesaid action in the Supreme Court of Ontario came on for trial before Mr. Justice McTague, who dismissed the action in a judgment dated the 30th day of March, 1936. Upon appeal being taken to the Court of Appeals for Ontario, the said Court of Appeals dismissed the appeal in a judgment dated the 30th of November, 1936.

6. A further appeal was taken by the petitioner to the Judicial Committee of the Privy Council, before whom the case was argued on December 9th, 10th, 13th, 14th and 15th, 1937, as a result of which a judgment was delivered by Lord Russell of Killowen on the 4th day of February, 1938, reported at page 127 of Volume 55 of the Reports of Patent, Design and Trade Mark Cases, . . .

On the argument before this Court the respondents did not rely on paragraphs 20 and 21 of the statement of objections and, as regards paragraph 19, in the view we take, we find it unnecessary to consider it.

There can be no doubt as to the effect of the proceedings recited in paragraphs 4, 5 and 6. It is set forth explicitly in the judgment of the Judicial Committee, delivered by Lord Russell of Killowen, that the words "Shredded Wheat" were aptly descriptive of the plaintiffs' goods, that is, the appellants' goods, in appearance as well as in substance; and, moreover, that the words "Shredded Wheat" constituted the name by which these goods were known; and further, their Lordships concurred in the finding of the learned trial judge that the words had never acquired the secondary meaning of being distinctive of goods manufactured exclusively by the appellants.

On the issue of the validity of the trade mark, it was only material that these propositions of fact should hold as of the date of the registration of the trade mark; but, on the issue of passing off, it was obviously material that they should be valid as of a later date. Indeed, it would not be an unfair interpretation of their Lordships' judgment to read it as proceeding upon the footing that these findings of fact held as of the date of the trial. In the view I take it is not necessary, however, to go into this. It is quite clear that their Lordships' judgment proceeds,

as regards the issue of passing off, on the footing that they were valid as of the pertinent date, that is to say, the date of the commencement of the action.

There is, of course, no dispute about this. Nor is there any dispute that, as between the appellants and the respondents in their private and individual capacity, these findings are binding and conclusive.

It is argued, however, and this is the basis of the appeal, that these propositions are not conclusive upon the issue raised, as the appellants contend, by the allegations in section 7 of the statement of objections, namely, that at the date of the petition, some four years after the commencement of the action, and two years after the date of the trial, the proceedings referred to had conclusively established by findings binding on the parties that the words Shredded Wheat had not acquired a secondary meaning in a sense entitling the appellants to have them registered as their trade mark; and, second, that, if these findings were binding as between the appellants and the respondents in their private and personal capacity, the respondents now appear in a different capacity, namely, as representing the public and, in that capacity, they are not bound.

Mr. Geoffrion's argument is that the sole issue raised by section 7 is the issue of *res judicata* in the strict sense; and, admitting, as he is obliged to admit, the effect of the findings as such, they are, he argues, inconclusive upon the precise point as to the meaning acquired by the words in question at the date of the petition and in any case inconclusive as between the appellants and the respondents in the capacity in which they now appear. It follows, he argues, that the point of law before the learned trial judge ought to have been decided in his favour. He was never called upon, he insists, to meet any other issue and ought not to have had his petition dismissed as an abuse of the process without having an opportunity of meeting the respondents on that ground.

Mr. Biggar has called our attention to the fact that, at the outset of the litigation,—that is to say, in June, 1934—the appellants applied for an injunction. An undertaking was given by the respondents which precluded them from selling the whole wheat biscuits, of the sale of which the appellants complained, “until the final disposition

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of the action," which was finally disposed of by His Majesty's order of the 4th day of February, 1938, about two months before the appellants' petition was lodged; the effect of this undertaking being to give the appellants a practical monopoly.

It is necessary now to advert briefly to the allegations in the petition.

The petitioners allege that, continuously since the year 1905, they have carried on the business of manufacturing and selling cereal foods in Canada, and that this business was theretofore (from 1898) carried on by their predecessors; that the words Shredded Wheat "have always been used as a trade mark by them and their predecessors in association with such products"; that since commencing business, and especially during the past ten years, the petitioners have spent large sums of money in advertising and have sold many millions of dollars worth of goods in association with this trade mark; that the words have become a symbol adapted to distinguish the wares of the petitioners in such a manner that they are the petitioners' trade mark. The petition terminates by a general allegation, in paragraph five, that the words Shredded Wheat have been used by the petitioners in such a manner and have received general recognition of such a character as to entitle the petitioners to have the words registered as their trade mark.

Now, it will be observed that the alleged user of the words Shredded Wheat as the trade mark of the petitioners and their predecessors is a user which goes back to the year 1898; that no distinction is drawn as to the manner or circumstances of this user in the four years following the commencement of the action in the Supreme Court of Ontario in 1934 and the preceding thirty-five or thirty-six years. I do not think the allegations in the petition, fairly read, can be said to raise the issue whether or not the words Shredded Wheat (having for thirty-five years prior to June, 1934, been used as aptly descriptive and as the name of the goods of the appellants and their predecessors by them and their purchasers and not used or known as their trade mark) had acquired, by virtue of the user of them in the four years succeeding June, 1934, the secondary meaning of being distinctive of goods manufactured exclusively by the appellants. During these

particular four years the appellants had a monopoly in the manufacture and sale of these goods in consequence of the undertaking referred to. The effect of the existence of such a monopoly is, generally speaking, that in the absence of competition there is no occasion in the mind of anybody for adverting to distinctiveness in respect of the maker or seller of the goods. Theoretically, of course, the user might be of such a character, or accompanied by such circumstances, as to produce a different effect. But given the admitted facts here, in the absence of such special user or special circumstances, it would appear to be indisputable that the general allegation with which the petition concludes, namely, that these words had at the date of the petition acquired the essential secondary significance, is and must be quite baseless. On the point as to the effect of the monopoly, I refer to *Cellular Clothing Co. v. Maxton* (1) and Lord Davey's observations there, cited by Mr. Justice McTague and adopted by the Judicial Committee; and also to the judgment of Lord Justice Fry (*Siebert v. Findlater* (2)) adopted by Lord Davey.

The only difficulty in the appeal arises from the manner of the proceedings in the court below. There was not, in point of form, an application to strike out the petition as frivolous and as an abuse of the process of the court; and I am by no means clear whether the parties intended to proceed under rule 149 or 151, or both. The petition could not have survived the summary proceeding if taken a year ago. Having fully considered Mr. Geoffrion's formidable objections, we are not, I think, precluded from doing substantial justice now.

It would not, I am inclined to think, be an unfair interpretation of the proceedings in the Exchequer Court to read them as a submission to the trial judge of the question whether on the admitted facts, including, of course, the undertaking of June, 1934, there was any issue raised by the petition which ought to be permitted to be tried; and there can, as I have said, be only one answer to that question.

But, there is another way in which the position can be put and that is that the admissions should be treated as included in the allegations of the petition. So treating

(1) (1899) 16 R.P.C. 397, at 409.

(2) (1878) 7 Ch. D. 801 at 813.

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them, the allegations as a whole, including these admissions, there being no averment of special user or special circumstances in the last four years, disclose no reasonable ground for relief; and amendment is, of course, out of the question.

As to the point that the respondents are here in a different character from that in which they appeared in the Ontario action, that is a technical point to which effect ought not to be given in the circumstances (*Reichel v. Magrath* (1)).

The appeal will be dismissed with costs.

Appeal dismissed with costs.

Solicitors for the appellant: *Wainwright, Elder & McDougall.*

Solicitors for the respondent: *Smart & Biggar.*
