
 PEGGY SAGE INC. AND NORTHAM- }
 WARREN LIMITED (PLAINTIFFS) } APPELLANTS;
 AND
 SIEGEL KAHN COMPANY OF }
 CANADA LIMITED (DEFENDANT) } RESPONDENT.

1935
 * June 11,
 12, 13.
 * Oct. 7.

ON APPEAL FROM THE EXCHEQUER COURT OF CANADA

Trade-mark—Expunging from register—Alleged resemblance to trade-mark in prior use by others—Danger of deception—Onus.

The plaintiff Peggy Sage Inc. was incorporated in January, 1930, for the purpose of acquiring and carrying on the business of Mrs. Sage under her trade-mark "Peggy Sage." Mrs. Sage had established in the city of New York in 1917 the business of manufacturing and selling toilet articles and toilet preparations, and the goods have been sold continuously throughout the United States since 1917 and throughout Canada since 1920, under said trade-mark. The trade-mark was registered with the Secretary of State for New York on February 10, 1927; in the United States Patent Office on July 12, 1932; and in the Canadian Patent Office on June 2, 1933, the application being filed on September 30, 1932, under the provisions of the *Trade Mark and Design Act*, R.S.C. 1927, c. 201. Defendant was incorporated in March, 1932, for the purpose of acquiring and continuing two pre-existing businesses for the sale of toilet articles, and on April 8, 1932, it filed an application to register "Peggy Royal" as a trade-mark,

* PRESENT:—Lamont, Cannon, Crocket and Davis JJ. and Dysart J. *ad hoc.*

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and was granted a certificate as of June 11, 1932 (prior to which date those words had not been used for sale of its goods). Defendant's products were of the same nature as, but were of lower grade and lower priced than, those of plaintiffs. The containers used by defendant were different from those used by plaintiffs. Plaintiffs sued to expunge the latter trade-mark from the register, on the grounds that its use would mislead the public and was an infringement of plaintiffs' trade-mark.

- Held:* (1) The onus was on plaintiffs to satisfy the court that the danger of deception exists, and that consequently the public should be protected by expunging the trade-mark complained of. The court, in the absence of direct evidence one way or the other, may draw such inferences from the facts proven as those facts *prima facie* warrant. The onus may be shifted. (*Dewar v. John Dewar & Sons Ltd.* 17 R.P.C. 341, at 356; *Benj. Edgington Ltd. v. J. Edgington & Co.*, 6 R.P.C. 513).
- (2) The words "Peggy Royal," as printed on defendant's labels, so nearly resembled the device registered by plaintiff, and sounded so much like it, as to be calculated to deceive, and might induce some of the public to think that defendant's products were manufactured by plaintiff. Even if defendant did not intend to deceive and actual deception had not been proven, defendant's trade-mark should be expunged if, in the court's opinion, by its resemblance to that of plaintiff, it was likely to deceive the public in the course of its legitimate use in the trade. On these grounds defendant's trade-mark should be expunged (*Eno v. Dunn*, 15 App. Cas. 252, and other cases, cited). (Judgment of Maclean J., President of the Exchequer Court of Canada, [1935] Ex.C.R. 70, reversed).

APPEAL by the plaintiffs from the judgment of Maclean J., President of the Exchequer Court of Canada (1), dismissing their action for an order that defendant's trade-mark be expunged from the Register of Trade Marks. The material facts of the case are sufficiently stated in the judgment now reported. The appeal was allowed with costs throughout.

W. L. Scott K.C. for the appellants.

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

The judgment of the court was delivered by

CANNON, J.—The plaintiffs are appealing from a judgment of the Exchequer Court, of the 21st November, 1934 (1), dismissing with costs an action to expunge from the register of trade-marks the entry by the respondents of

the words "Peggy Royal," on the ground that it is calculated to deceive and that it is an infringement of the appellants' registered mark "Peggy Sage." The latter is the name adopted by Mrs. Rosabelle Sage, who established in the city of New York, in 1917, the business of manufacturing and selling toilet articles and toilet preparations.

It is not disputed that the goods have been sold continuously throughout the United States since that year and throughout Canada since 1920. These goods have from the beginning been sold under the trade-mark of "Peggy Sage," which has been extensively advertised both in Canada and in the United States.

The plaintiff Peggy Sage Inc. was incorporated on January 18, 1930, for the purpose of acquiring and carrying on the business of Mrs. Sage under the latter's trade-mark or name. The plaintiff Northam-Warren Limited is the agent of Peggy Sage Inc. in Canada.

On February 10, 1927, Mrs. Sage registered the trade-mark "Peggy Sage" with the Secretary of State for New York. Peggy Sage Inc. registered it in the United States Patent Office on July 12, 1932, and in the Canadian Patent Office on June 2, 1933. The application was filed on September 30, 1932, under the provisions of the former *Trade Mark and Design Act*.

The respondent company was incorporated on March 22, 1932, for the purpose of acquiring and continuing two pre-existing businesses for the sale of toilet articles: A. L. Siegel & Co. Inc. which had the trade-mark of "Hostess," and E. Kahn Inc. using the trade-mark "Ekay," both Canadian branches of United States businesses with headquarters in New York city.

On discovery, the secretary of the respondent company gave an account of how the words "Peggy Royal" were selected at a conference at which Mr. Siegel, Mr. Kahn and the two Chantlers met in the Royal York Hotel in Toronto. Chantler says that he chose the word "Peggy" because it was the name of a friend of his, and that either Mr. Kahn or Mr. Siegel suggested the word "Royal" because of the fact that the conference was held in the Royal York Hotel. No explanation was given why the marks previously in use in connection with the business

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of the two companies were discarded. Immediately after this meeting an application was filed on the 8th of April, 1932, to register "Peggy Royal" as a trade-mark and a certificate issued on June 11 of that year.

The registrar first objected to the use of the name "Royal" because the word was already registered by other concerns in connection with toilet brushes and soap. The respondent having agreed to except from its application these two articles, the trade-mark was granted to the respondent as of June 11, 1932.

The gist of appellants' grievance is found in the following paragraphs of their statement of claim:—

12. The defendant's reason for selecting the words "Peggy Royal" as a trade-mark for toilet articles in connection with a newly established business, was evidently because of its similarity to the plaintiff Peggy Sage Inc.'s trade-mark "Peggy Sage" and of the desire of the defendant to take advantage of the reputation that the goods of the plaintiff Peggy Sage Inc. have for so long enjoyed and of the extensive advertising by the plaintiff Peggy Sage Inc. and its predecessor in title.

13. The defendant's use of the trade-mark "Peggy Royal" constitutes an infringement on the plaintiff Peggy Sage Inc.'s trade-mark "Peggy Sage."

14. If the defendant is permitted to continue to use, for toilet articles, a trade-mark so similar to and so suggestive of, the plaintiff Peggy Sage Inc.'s trade-mark, it will result in the public's being misled and confusing the defendant's goods with those of the plaintiff, to the great detriment of the plaintiff Peggy Sage Inc.

There is no question that the goods dealt in by the parties are the same, except that the appellants' are of a much higher grade and are sold in Canada at a higher price. The packages are also of different quality. But we must not lose sight of the fact that if its trade-mark is upheld, there is nothing to prevent the respondent from engaging in the manufacture and sale of a higher grade of goods.

The registrations of both these trade-marks in Canada were made under the old *Trade Mark and Design Act*. R.S.C. 1927, c. 201. The *Unfair Competition Act, 1932*, 22-23 George V, c. 38, did not come into force until September 1, 1932; subsection 1 of section 61 thereof says that any application for the registration of a trade-mark received by the registrar at any time before the expiration of a month from the 1st of September, 1932, should be dealt with in accordance with the provisions of the *Trade Mark and Design Act*.

The grounds of appeal are the following:—

1. The learned trial judge erred in holding that the onus was on the appellants to show that the mark was calculated to deceive or mislead the public. He should have held that the onus was on the respondent and had not been discharged.

2. The learned trial judge should have held that, quite apart from any question of onus, the respondent's trade-mark "Peggy Royal" was void because of its similarity with the trade-mark "Peggy Sage" for the same class of goods and was calculated to deceive or mislead the public.

3. The trial judge should have expunged the registration of "Peggy Royal" as void because of the fact that prior to its registration it had not acquired through user a secondary meaning as designating the goods of the respondent and that as a consequence it was not adapted to distinguish the goods of the respondent from the goods of other possible manufacturers of the same name, and that it did not, therefore, contain the essentials necessary to constitute a trade-mark properly speaking.

I.

To support his first proposition, the appellant quoted *Eno v. Dunn* (1), where, under the English Act of 1883, the House of Lords held that, in the exercise of the discretion conferred by the Act whether to register a trade-mark or not, the Comptroller ought to refuse registration where it is not clear that deception may not result.

Section 11 of our old Act covering this case provided for the refusal by the Minister of any trade-mark "if it appears that the trade-mark is calculated to deceive or mislead the public."

In *Eno v. Dunn* (1), Lord Herschell says, at p. 261, that the discretion to register or not "must be reasonably exercised"; but, in his opinion, it was a reasonable exercise of it to refuse registration when it was not clear that deception might not result from it.

And Lord Macnaghten (p. 262) remarks:

Unfortunately, in the competition for business, a trader not unfrequently endeavours to attract custom by representing that the goods

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which he offers for sale are different in origin, composition, or character from what they really are. The public are constantly tempted to buy one thing when they think they are buying another. It is not, as has been observed by Lord Cairns, the province of the Court "to protect speculations of this kind."

Between rival traders, the application of the principle is necessarily a matter of extreme difficulty. But, as between the innocent public and a trader seeking registration of a proposed trade-mark, there is, I think, no room for hesitation or doubt.

Our attention was also drawn to *McDowell v. Standard Oil Co.* (1), and to the words used in his speech by Viscount Cave L.C., at p. 637:

My Lords, it has been long ago decided, and is quite clear, that the words "calculated to deceive" which are found in s. 11 of the Trade Marks Act, 1905, do not mean "intended to deceive" but "likely (or reasonably likely) to deceive or mislead the trade or the public." It has also been held in the case of *Eno v. Dunn* (2), decided in your Lordships' House, that the burden of proving that a proposed trade-mark is not likely to deceive lies upon the applicant, and also—a proposition which, I think, follows upon the last—that if that proof is incomplete and the matter is, as Lord Watson said in that case, in dubio, the application may be refused.

The appellants contend in their memorandum that, whereas in an action for an infringement the onus is on the plaintiff to prove the infringement, in the case of an application to register a trade-mark, the onus is on the applicant to satisfy the court that confusion might not arise from the registration of his mark. In other words, if there is any doubt at all, it must be resolved against the applicant.

The Court of Appeals of the District of Columbia, in *E-Z Waist Co. v. Reliance Manufacturing Co.* (3), held that if there is doubt whether the registration of a trade-mark would cause confusion with a prior trade-mark, the doubt must be resolved against the newcomer, who had the entire field in which to select a trade-mark, so that there is no excuse for his closely approaching the mark of a business rival.

The learned President of the Exchequer Court says (4):—

The assistance to be derived from the evidence, in reaching a conclusion in this matter, is slight. In the conclusion which I am about to express it would be but pure affectation to say that I am absolutely free from doubt as to its correctness. My conclusion is that the plain-

(1) [1927] A.C. 632.
 (2) 15 App. Cas. 252.

(3) (1923) 286 Federal Reporter,
 461.
 (4) [1935] Ex.C.R., at 75-76.

tiffs have not made out a case to expunge the defendant's mark and must fail. I cannot upon the facts before me hold the marks in question here are so similar as to be likely to cause confusion.

The respondent submits on this first point that in England the rule is that the burden of proof is always on the party applying to have any change made in the register, on account of s. 40 of the English Act of 1905, which makes registration *prima facie* evidence, in applications under s. 35, of the validity of the original registration.

Kerly, on Trade Marks, 6th ed., p. 335, says:—

The fact that the Registrar has exercised his discretion in favour of the registration of a mark, and has allowed it to be registered, does not prevent the Court from ordering its removal if the registration was made without sufficient cause; but an applicant for rectification is in a somewhat less advantageous position than an opponent to registration.

And, at p. 336:—

But where the objection alleged to a mark is that it is the same as that of the applicant, or that it has such resemblance to his as to be calculated to deceive, it will be some evidence against the applicant, on whom the burden lies of showing that the registration was made without sufficient cause, if he has stood by and allowed the registered proprietor to use the mark objected to for a length of time, especially if no case of actual deception is proved.

The plaintiffs in this case allege as a fact the danger of deception; and I believe that the onus of satisfying the court that such danger exists and that consequently the public should be protected by expunging the register, is on them. The court, in the absence of direct evidence, one way or the other, may draw such inferences from the facts proven as these facts *prima facie* warrant. "It is obvious that in such matters the onus may be shifted." *Dewar v. John Dewar & Sons Ltd.* (1). See also *Benjamin Edgington Ltd. v. John Edgington & Co.* (2).

II.

Although no proof was made of actual deception, the evidence shows that the appellants' goods are sometimes asked for as "Peggy" goods, especially in telephone orders.

There was also evidence given by witnesses familiar with the trade to the effect that the dominant feature of the appellants' mark was "Peggy."

Robert Fairweather says:—

I would say that, without question, "Peggy" is the big word as far as the trade is concerned.

* * *

(1) (1900) 17 R.P.C. 341, at 356. (2) (1889) 6 R.P.C. 513.

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It was the selling feature.

* * *

It was easily remembered and attractive.

Mrs. Alma G. Denys,

They are generally asked for by the name of Peggy Sage, but at different intervals during my four years at Simpson's I answered the telephone at the appointment desk and there different people asked me for "Peggy" Manicure. They order the goods by telephone. This not only happens in connection with the Peggy Sage goods but as we handle the Francis Fox Scalp Treatment they will call up and refer only to "Francis."

* * *

Q. Now what, in your opinion, is the dominant feature of the trade-mark "Peggy Sage"? What is the principal word in Peggy Sage?—A. Naturally it would be "Peggy."

Mrs. Olive M. Kennedy, another witness in the trade, says that the dominant feature of the trade-mark "Peggy Sage" is, of course, "Peggy," "because it is a catchy name."

William Arbuckle says that the dominant feature of the trade-mark is "Peggy" and that the people usually ask for "Peggy Sage" and at odd times "Peggy."

The appellants have clearly established their right to the use of the trade-mark or name of "Peggy Sage" under which they have advertised and sold their goods in Canada since 1920. There is no doubt that they have sold so much goods under that mark that it had come throughout Canada to be associated with their goods.

Moreover, it appears by the admission of the respondent's witness E. W. Chantler that the words "Peggy Royal" were not used for the sale of their goods before the registration, i.e., some time in the summer of 1932; so that they cannot claim in favour of the registration of their mark that it had been used as their property before registration in Canada, while "Peggy Sage" was used first and registered later and can claim protection against anybody trying to use a trade name or mark so nearly resembling it as to cause confusion.

But, says the respondent, assuming that the appellants would have an exclusive right to "Peggy Sage," they cannot claim to stop any registration of any combination of words including "Peggy."

On this point, *In re the Trade Mark of La Société Anonyme des Verreries de l'Etoile* (1) may be useful. The

(1) (1893) 10 R.P.C. 436, and (in appeal) (1894) 11 R.P.C. 142.

plaintiffs in that case, in 1876, registered as their trade-mark for glass a star, and, in 1893, they complained of a trade-mark which did not consist of a star but consisted of the words "Red Star Brand." They asked the court to expunge the entry in the register.

In that case, it was contended, as in this one, that if the evidence adduced as to the existence of the appellant's trade-mark or name had been brought before the registrar prior to registration of the respondent's trade-mark, the latter's application to the registrar would have been refused, and that nothing had occurred to prevent the court from expunging the mark.

Mr. Justice Stirling said (1) that although physically the trade-mark registered by the respondents has no resemblance to the trade-mark of the applicants, if, however, it is brought to the notice of the registrar, by the evidence adduced by an opponent that, even though the two marks are not similar,

there is a reasonable probability of the public being misled into buying one thing when they think they are buying another, it would be his duty to refuse registration.

If the evidence brought before the court had been before the registrar when the trade-mark was sought to be registered, I think that registration ought to have been refused.

This, however, is not an opposition to the registration of a mark, but an action to expunge, and I think that the burden of authorities is to the effect that the plaintiffs must show definitely that their trade-mark will reasonably or likely be interfered with. In this case as in the other, the applicants heard of the "Peggy Royal" trade-mark registration shortly before the action was taken and took proceedings with sufficient rapidity. The evidence satisfies me that it has been used by them in Canada since 1920; and I am strongly inclined to think that the respondents were aware of the appellants' mark when they registered their own.

To my mind, the words "Peggy Royal," as printed on the respondent's labels, so nearly resemble the device registered by Peggy Sage Inc. and sounds so much like it, as to be calculated to deceive and might induce some of the

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public to think that the lower priced products of the respondent were manufactured by the appellants.

I am helped to reach this conclusion by *Eno v. Dunn* (1), in which the respondent applied to register the words "Dunn's Fruit Salt Baking Powder" as a trade-mark for baking powder. The appellant, who had for many years used the words "Fruit Salt" as his trade-mark for a powder used in producing an effervescent drink, opposed the application.

The House of Lords held that upon the evidence the proposed words were as a matter of fact calculated to deceive the people and that the trade-mark ought not to be registered.

I feel, as Lord Watson felt in that case, p. 258, that I cannot avoid the conclusion that the respondent adopted the word "Peggy," as it now stands in its trade-mark, with the purpose of obtaining pecuniary advantage from the reputation of the appellants' manufacture. In that case, it was argued that to give effect to these considerations would be equivalent to allowing the appellant to appropriate as his own property two words in common use. Lord Watson answers that the argument appears to him to underrate the resources of the English language, which are quite sufficient to enable anyone honestly desirous of distinguishing his own goods to use these words in a trade-mark in such a manner as to prevent any possibility of their being connected with the competitor's goods.

Lord Herschell, in that same case, said that it was not necessary to reach the conclusion that the proposed use of the words would be calculated to deceive. He thought it would be enough to say that he was not satisfied that there would be no possible danger of the public being deceived.

Lord Macnaghten remarked, at pages 263-264:—

The learned judges who were in favour of Mr. Dunn in the Court below seem to have come to the conclusion that Mr. Dunn's object was to obtain the benefit of the celebrity which the name adopted by Mr. Eno has acquired, but that it was not his object to steal Mr. Eno's trade. So far I am disposed to agree; but I do not think that those propositions cover the real question. The question is one between Mr. Dunn and the public, not between Mr. Eno and Mr. Dunn. It is immaterial whether the proposed registration is or is not likely to injure Mr. Eno in his trade.

As pointed out by Lindley L.J., in *In re the Trade Mark of La Société Anonyme des Verreries de l'Etoile* (1):—

Two marks may be calculated to deceive either by appealing to the eye or to the ear, or one appealing to the eye and one to the ear.

MM. Siegel and Kahn, for obvious reasons, were not heard by the respondent to explain why they abandoned their respective trade-marks "Hostess" and "Ekay," used by them in Canada, to substitute for them the words "Peggy Royal" (which was not the name of any person connected with the manufacture or sale of their toilet products), under the guise of a signature resembling the signature of "Peggy Sage" then registered in New York and used in Canada and the United States for years and extensively advertised. Then, why did they not themselves advertise "Peggy Royal"? They might have, by doing so, prevented the public from confusing the origin of their own goods. They thought wise to use the word "Peggy," which was well known in the trade, without publishing that "Peggy Royal" was of their own manufacture.

It is true that the packing and containers are not the same. But, assuming that they did not try to confuse the eye, they, I believe, attempted to deceive by appealing to the ear of the purchasing public—and in both cases we find on the labels, printed in a peculiar but somewhat similar script, the signatures, which may, to a certain extent, deceive the eye.

But, even if the respondent did not intend to deceive, and if actual deception has not been proven, the registration should be expunged, if, in the opinion of the court, it is calculated to deceive, which does not mean "capable of being used to deceive" but that, by its resemblance to the appellants', it is likely to deceive the public in the course of its legitimate use in the trade.

Kerly, on Trade Marks, p. 266.

The appellants, therefore, ought to succeed on the second point.

It would be useless to discuss the third point as to whether or not the trade-mark "Peggy Royal" contains the necessary constituting essentials.

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I would, therefore, allow the appeal with costs and order that the respondent's trade-mark "Peggy Royal" be expunged from the Register of Trade Marks, volume 253, folio 54511, with all costs below against the respondent.

Appeal allowed with costs.

Solicitors for the appellants: *Ewart, Scott, Kelley, Scott & Howard.*

Solicitors for the respondent: *Osler, Hoskin & Harcourt.*
