LE REGISTRAIRE DES MARQUES DE COMMERCE

THE REGISTRAR OF TRADE-MARKS

Citation: 2012 TMOB 49
Date of Decision: 2012-03-21

IN THE MATTER OF AN OPPOSITION by PEI Licensing Inc. to application No. 1,270,981 for the trade-mark CLUB PENGUIN in the name of Disney Online Studios Canada Inc.

FILE RECORD

[1] On September 6, 2005, New Horizon Production Ltd. filed an application to register the trade-mark CLUB PENGUIN, based on proposed use in Canada, in association with:

> *wares*
> clothing, namely, T-shirts, sweat shirts, and jackets; toy action figures and accessories therefor; posters; playing cards; stickers; all excluding books.
>
> *services*
> entertainment services, namely, providing on-line computer games, all excluding book publishing services.

The right to the exclusive use of the word PENGUIN is disclaimed apart from the trade-mark as a whole. Through an assignment, an amalgamation and changes of name, the application now stands in the name of Disney Online Studios Canada Inc.

[2] The subject application was advertised for opposition purposes in the *Trade-marks Journal* issue dated June 14, 2006 and was opposed by PEI Licensing, Inc. on August 14, 2006. The Registrar forwarded a copy of the statement of opposition to the

applicant on September 6, 2006 as required by s.38(5) of the *Trade-marks Act*, R.S.C. 1985, c. T-13. The applicant responded by filing and serving a counter statement generally denying the allegations in the statement of opposition.

[3] The opponent's evidence consists of the affidavit of Maria Folyk-Kushneir and certified copies of its trade-mark registrations for marks comprised of the word component PENGUIN and/or a pictorial representation of a penguin. The applicant's evidence consists of the affidavits of Elenita Anastacio and Marsha L. Reed. Only the applicant submitted a written argument however both parties were ably represented at an oral hearing held on March 1, 2012.

STATEMENT OF OPPOSITION

[4] The opponent pleads that it is the owner of a family of trade-mark applications and registrations, for use in association with clothing and fashion accessory items, comprised of the word component PENGUIN and/or a pictorial representation of a penguin. Four representative registrations are shown below:

[5] The grounds of opposition allege that:

1. The applied for mark is not registrable, pursuant to s.12(1)(d) of the *Trade-marks Act*, as the applied for mark CLUB PENGUIN is confusing with the opponent's registered marks.

2. The applicant is not entitled to register the applied for mark CLUB PENGUIN, pursuant to s.16(3) of the *Act*, because at the date of filing the application, the applied for mark was confusing with the opponent's marks that had been

previously used in Canada and with the opponent's trade-marks in respect of which applications for registration had been previously filed by the opponent.

3. The applied for mark CLUB PENGUIN is not distinctive of the applicant's wares and services in view of the opponent's use of its marks.

4. The subject application does not comply with s.30(i) as the applicant could not have been satisfied that it was entitled to use the mark CLUB PENGUIN in view of the opponent's prior use of its marks.

I would note that the fourth ground of opposition is insufficiently pleaded as the opponent has not alleged fraud on the part of the applicant or that specific federal statutory provisions prevent the registration of the applied for mark: see *Sapodilla Co. Ltd. v. Bristol-Myers Co.* (1974), 15 C.P.R. (2d) 152 (T.M.O.B.) at 155 and *Canada Post Corporation v. Registrar of Trade-marks* (1991), 40 C.P.R. (3d) 221. Accordingly, the fourth ground may be rejected at the outset.

OPPONENT'S EVIDENCE

Maria Folyk-Kushneir

(a) General Background

[6] Maria Folyk-Kushneir identifies herself as VP of Licensing for the opponent company. The opponent is a wholly owned subsidiary of Perry Ellis International, Inc., a leading designer and distributor of apparel and accessories for men and women. Perry Ellis International, then operating under its former name Supreme International Corporation, acquired the PENGUIN marks, referred to in the statement of opposition, from Munsingwear, Inc. in 1996. In 2003 Perry Ellis International assigned the rights to its United States and Canadian portfolio of brand names to the opponent, including the brand names PENGUIN and MUNSINGWEAR.

[7] The PENGUIN logo was initially used on golf shirts in about 1955. In about the 1970s it was used in association with full lines of sportswear for men, women and children. The PENGUIN brand was re-launched in the United States as ORIGINAL PENGUIN in about 2004 with the opening of an ORIGINAL PENGUIN boutique in the city of New York. The brand was expanded to include accessories such as footwear,

eyewear and watches. Sales of ORIGINAL PENGUIN brand clothing and accessories rose from US$1.7 million in 2004 to about US$36 million in 2007.

(b) Canadian Background

[8] The opponent is the registered owner of a large number of trade-mark registrations and applications for marks that include the word PENGUIN and/or a representation of a penguin (the "PENGUIN logo") collectively referred to as the PENGUIN marks. Clothing displaying the PENGUIN marks have been manufactured and sold in Canada under license from the opponent or its predecessors-in-title since at least as early as 1959. Ms. Folyk-Kushneir relies on company "archival" material (attached as Exhibit K to her affidavit) to testify that from 1959 to 1996, clothing displaying the PENGUIN logo was manufactured and sold in Canada by Stanfield's Limited under license from Munsingwear. The retail value of such sales in Canada totalled about $36 million from 1971 to 1987. The "archival" material referred to by Ms. Folyk-Kushneir consists of an affidavit dated March 3, 1989 sworn by Aubrey Hughes, then Vice-President of Marketing of Stranfield's Limited. His affidavit was filed in a previous opposition proceeding. Counsel for applicant objected to this portion of Ms. Folyk-Kushneir's testimony as inadmissible hearsay, while counsel for the opponent argued for its admissibility on the grounds of necessity and reliability. I am inclined to agree with opponent, and I have therefore given some weight to the historical evidence provided by Ms. Folyk-Kushneir.

[9] Stanfield's continued to sell clothing displaying the PENGUIN logo, under license, from 1996 (when Perry Ellis International acquired the PENGUIN logo) until 2003 during which time the retail value of such sales in Canada totalled about $24 million. In mid 2003 the opponent licensed Jaytex of Canada Limited as its exclusive distributor for the importation, distribution, marketing and sale of ORIGINAL PENGUIN brand clothing in Canada. The clothing that Jaytex sells in Canada includes hangtags and/or labels that display the PENGUIN logo, or variants thereof, and the word PENGUIN as illustrated in Exhibits L and M of Ms. Folyk-Kushneir's affidavit. Shown below are three representative examples from Exhibit M:

Many of the items of clothing also display the PENGUIN logo on the outside of the clothing. The ORIGINAL PENGUIN brand clothing is distributed to over 200 customers in Canada including Athlete's World, Hudson's Bay and Urban Outfitters. Canadian sales of such clothing averaged about $2.2 million annually in the three year period 2004 – 2006.

[10] The ORIGINAL PENGUIN brand has been advertised and promoted through print advertising, media events, fashion shows and sponsorships since 2003. Annual expenditures for advertising and promotion rose from $38,000 in 2007 to $112,000 in 2004.

[11] At the oral hearing, counsel for the applicant criticized Ms. Folyk-Kushneir's affidavit as not being comprehensive and lacking specificity. I agree that her evidence might have been more thorough and detailed, however, reviewing her testimony and the attached exhibits materials as a whole, I have no reason to doubt the credibility of her evidence.

APPLICANT'S EVIDENCE

Marsha L. Reed

[12] Ms. Reed, of Burbank, California, identifies herself as an executive of The Walt Disney Company. She explains that CLUB PENGUIN is a virtual world where children can play online games and interact with each other. CLUB PENGUIN opened for online use in October 2005 and is intended for children aged six to fourteen. The website is intended to be both educational and entertaining. Ms. Reed states that in August 2007 "Club Penguin [presumably a predecessor of the applicant] joined the Walt Disney Company to provide access to wider resources and development opportunities." The headquarters of the applicant is in Kelowna, British Columbia. Customers may purchase memberships to CLUB PENGUIN on the website or at retail locations in Canada. The

applicant's use of the mark CLUB PENGUIN is primarily through the website but "other merchandising products bearing the mark have been sold in Canada." Such clothing products include beanie hats, caps, sweatshirts and T-shirts which can be purchased on the website and shipped to Canada. Other merchandising products for children include figurines of penguins, card games, board games and plush toys available at TOYS "R" US in Canada. The applicant's mark CLUB PENGUIN is displayed on labels and hangtags affixed to the merchandizing products. In 2008, the revenue from the CLUB PENGUIN website, from Canada, was about $5 million representing about 10% of the total revenue generated from the website worldwide. Revenue from Canada was about $567,000 in the year 2009. Projected revenue for Canada for the year 2009 in respect of merchandising products is about $200,000.

[13] It is not entirely clear how Ms. Reed is connected to the applicant company, however, in the absence of cross-examination and any objection by the opponent concerning her competency to give evidence on behalf of the applicant, I have given full weight to her evidence.

Elenita Anastacio

[14] Ms. Anastacio identifies herself as a trade-mark searcher employed by the firm representing the applicant. Ms. Anastacio searched the trade-marks register for "all active trade-mark applications and registrations consisting of or containing the word 'PENGUIN' or any other variations in the spelling of the word, without restrictions to any classes of goods and services."

[15] One hundred and thirty-six marks, mostly registered marks, were located. The particulars of the applications and registrations are presented *en liasse* as Exhibit A of her affidavit. Exhibit A consists of 310 pages of material. It is somewhat difficult for me to assess the probative value of Ms. Anastacio's evidence when her findings have not been organized in a way that makes its significance apparent.

LEGAL ONUS AND EVIDENTIAL BURDEN

[16] The legal onus is on the applicant to show that the application does not contravene the provisions of the *Trade-marks Act* as alleged by the opponent in the statement of

opposition. The presence of a legal onus on the applicant means that if a determinate conclusion cannot be reached once all the evidence is in, then the issue must be decided against the applicant. However, there is also, in accordance with the usual rules of evidence, an evidential burden on the opponent to prove the facts inherent in its allegations pleaded in the statement of opposition: see *John Labatt Limited v. The Molson Companies Limited*, 30 C.P.R. (3d) 293 at 298 (F.C.T.D.). The presence of an evidential burden on the opponent with respect to a particular issue means that in order for the issue to be considered at all, there must be sufficient evidence from which it could reasonably be concluded that the facts alleged to support that issue exist.

MAIN ISSUE & MATERIAL DATES

[17] The main issue in this proceeding is whether the applied for mark CLUB PENGUIN is confusing with one or more of the opponent's PENGUIN marks. The legal onus is on the applicant to show that there would be no reasonable likelihood of confusion, within the meaning of s.6(2) of the *Trade-marks Act*, shown below, between the applied for mark and any of the opponent's marks:

> The use of a trade-mark causes confusion with another trade-mark if the use of both trade-marks in the same area would be likely to lead to the inference that the wares or services. . . associated with those trade-marks are manufactured . . . or performed by the same person, whether or not the wares or services . . . are of the same general class.

[18] Thus, s.6(2) does not concern the confusion of the marks themselves, but confusion of goods or services from one source as being from another source. In the instant case, the question posed by s.6(2) is whether there would be confusion of the applicant's wares and services sold under the mark CLUB PENGUIN as emanating from or sponsored by or approved by the opponent.

[19] The material dates to assess the issue of confusion are (i) the date of decision, with respect to the first ground of opposition alleging non-registrability; (ii) the date of filing of the application, in this case September 6, 2005, with respect to the second ground of opposition alleging non-entitlement; and (iii) the date of filing the statement of opposition, in this case August 14, 2006, with respect to the ground of opposition

alleging non-distinctiveness: for a review of case law concerning material dates in opposition proceedings see *American Retired Persons v. Canadian Retired Persons* (1998), 84 C.P.R.(3d) 198 at 206 - 209 (F.C.T.D.).

TEST FOR CONFUSION

[20] The test for confusion is one of first impression and imperfect recollection. Factors to be considered, in making an assessment as to whether two marks are confusing, are "all the surrounding circumstances including" those specifically mentioned in s.6(5)(a) to s.6(5)(e) of the *Act*: the inherent distinctiveness of the marks and the extent to which they have become known; the length of time each has been in use; the nature of the wares, services or business; the nature of the trade; the degree of resemblance in appearance or sound of the marks or in the ideas suggested by them. This list is not exhaustive and all relevant factors are to be considered. Further, all factors do not necessarily have equal weight as the weight to be given to each depends on the circumstances: see *Gainers Inc. v. Tammy L. Marchildon and The Registrar of Trade-marks* (1996), 66 C.P.R.(3d) 308 (F.C.T.D.). However, as noted by Mr. Justice Rothstein in *Masterpiece Inc. v. Alavida Lifestyles Inc.* (2011), 92 C.P.R.(4th) 361 (S.C.C.), although the degree of resemblance is the last factor cited in s.6(5), it is the statutory factor that is often likely to have the greatest effect in deciding the issue of confusion.

CONSIDERATION OF S.6(5) FACTORS

[21] The opponent's marks do not possess high degrees of inherent distinctiveness as the dominant components of the marks are the word PENGUIN or a pictorial representation of a penguin, as illustrated in paragraphs 4 and 9, above. Similarly, the applied for mark CLUB PENGUIN does not possesses a high degree of inherent distinctiveness as it is comprised of two common words. However, the parties' marks possess some degree of inherent distinctiveness as there is no nexus between the parties' wares and services and the creature penguin.

[22] At the oral hearing, counsel for the applicant brought to my attention 12 marks (standing in the names of 9 different owners) found in the Anastacio affidavit, comprised of a pictorial representation of a penguin and/or the word PENGUIN, for use in

association with clothing (or wares closely associated with clothing). However, from my inspection of the marks, 10 are comprised of penguin figures which bear little visual resemblance to the applicant's PENGUIN logo. Thus, there is insufficient evidence to establish that marks similar to the opponent's PENGUIN logo, or marks comprised of the word PENGUIN, are common in the clothing industry.

[23] From the opponent's evidence of sales and advertising of its wares in Canada under its PENGUIN marks, I infer that the opponent's marks had acquired a fair degree of distinctiveness in Canada at all material times. Of course, the applied for mark, which is based on proposed use in Canada, had not acquired any distinctiveness at the earliest material date. It is not clear from the evidence whether the applied for mark had acquired any distinctiveness in Canada at the later material date August 14, 2006. However, I infer from the applicant's evidence of sales of its wares and services in Canada that the applied for mark CLUB PENGUIN had acquired at least some reputation as of the latest material date, that is, the present time. Accordingly, the first factor in s.6(5), which is a combination of inherent and acquired distinctiveness, favours the opponent at all material times, although less so at the latest material time.

[24] The length of time that the parties' marks have been in use strongly favours the opponent as it has been using its marks since 1959 while the application for CLUB PENGUIN, based on proposed use in Canada, was filed in 2006.

[25] There is some overlap in respect of the parties' wares consisting of clothing, but otherwise the parties' businesses and the nature of their trades are distinct. In this regard, the opponent's main focus is manufacturing and selling clothing while the applicant's main focus is providing entertainment for children via its website. Thus, the third and fourth factors strongly favour the applicant, except with respect to the wares clothing.

[26] There is necessarily a fairly high degree of resemblance, visually, in sounding and in ideas suggested, between the opponent's marks wherein the dominant component is the word PENGUIN and the applied for mark CLUB PENGUIN. In this regard, the applicant has incorporated the whole of the dominant component of the opponent's marks as the dominant component of the applied for mark. There is also a fair degree of resemblance between the opponent's PENGUIN logo and the applied for mark CLUB PENGUIN as both parties' marks suggest the idea of the creature penguin. However, the

first component CLUB of the applied for mark does to some extent act to lessen the resemblance between the parties' marks as the first component of a mark is often considered more important for the purpose of distinction: see, for example, *Conde Nast Publications Inc. v. Union des Editions Modernes* (1979), 46 C.P.R. (2d) 183 (F.C.T.D.). Nevertheless, as the word CLUB is the less distinctive component of the applied for mark, its effect in distinguishing between the parties' marks is diminished. Counsel for the applicant correctly noted that that, in actual use, the component CLUB is given more prominence that the component PENGUIN. However, the issue of confusion is to be decided with respect to the mark as applied for, not as actually used. Thus, I find that the last factor in s.6(5) favours the opponent.

Applicant's Submissions

[27] The applicant submits as follows at page 15 of its written argument:

> One of the things one must consider is whether the Opponent's registered trade-marks would be classified and considered as either weak or strong trade-marks: *General Motors Corp. v. Bellows* 10 C.P.R. 101. As established in *Canadian Co-operative Credit Society Ltd. v. Commercial Union Assurance Co. Plc.* (1992),42 C.P.R. (3d) 239 at 249.:
>
> > ... when marks are weak marks, comparatively small differences will suffice to distinguish one mark from another
>
> In determining whether a trade-mark is weak, a review of the state of the Register has been deemed acceptable: *Kellogg Salada Canada Inc. v. Maximum Nutrition Ltd. (1992),* 43 C.P.R. (3d) 349 (F.C.A.).
>
> As the word "penguin" is a common word in the English language, it is subject to a narrower ambit of protection. The commonality of this word is further reflected by the evidence filed by the Applicant which shows the word "penguin" appearing 136 times on active trade-mark applications and registrations within the CIPO database. Accordingly, other surrounding circumstances regarding the manner of use of the respective trademarks must bear a greater weight when considering the test for confusion than simply having a single word element in common.
>
> When reviewing the evidence of both parties, the following additional conclusions can be drawn:
>
> - The Applicant typically uses its word-mark CLUB PENGUIN along with its DISNEY design-mark; and,
> - When the word "Penguin" appears on any of the Opponent's design-

> marks, it typically is used in a manner which includes "Munsingwear" as the source of the wares.

[28] I find that there is some merit in the applicant's above submission that the opponent's marks should not be given a wide ambit of protection. However, the above "additional conclusions" noted by the applicant may be germane to a passing-off action but are not particularly relevant in assessing the issue of confusion in this proceeding.

DISPOSITION

[29] Considering the above, and taking into account in particular the relatively low degree of inherent distinctiveness of the opponent's marks, that the opponent's marks are not entitled to a wide ambit of protection, and that, for the most part, the parties' wares, services, channels of trade and fields of business interest are different, I find that the applicant has met the legal onus on it to show that, on a balance of probabilities, at all material times there is no reasonable likelihood of confusion between the applied for mark CLUB PENGUIN and the opponent's PENGUIN marks, except for use of the applied for mark in association with clothing. Accordingly,

(1) the application is refused in respect of the wares "clothing, namely, T-shirts, sweat shirts, and jackets,"

(2) otherwise, the opposition is rejected.

Authority for a divided decision is found in *Produits Ménagers Coronet Inc. v. Coronet-Werke Heinrich Schlerf GmbH* (1986), 10 C.P.R. (3d) 482 (F.C.T.D.).

[30] This decision has been made pursuant to a delegation of authority under s.63(3) of the *Trade-marks Act*.

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Myer Herzig
Member
Trade-marks Opposition Board
Canadian Intellectual Property Office