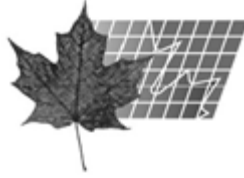


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LE REGISTRAIRE DES MARQUES DE COMMERCE

THE REGISTRAR OF TRADEMARKS

Citation: 2020 TMOB 111

Date of Decision: 2020-10-05

IN THE MATTER OF AN OPPOSITION

**McDonald's Corporation and
McDonald's Restaurants of Canada
Limited**

Opponents

and

Hi-Star Franchise Systems, Inc.

Applicant

1,807,098 for McMORTGAGE

Application

OVERVIEW

[1] Hi-Star Franchise Systems, Inc. (the Applicant) has applied-to register the trademark McMORTGAGE (the Mark) in association with the following Services:

(1) Arranging and provision of credit, loans, insurance, currency exchange and travellers cheques; insurance agencies; insurance brokerage; insurance services; mortgage brokerage; mortgage refinancing; mortgage services; real estate agencies; real estate brokerage; real estate brokers

[2] McDonald's Corporation and McDonald's Restaurants of Canada Limited (collectively the Opponent) allege that the Mark is confusing with their trademarks including McDONALD'S, BIG MAC, MCCICKEN, McCAFE, MCNUGGETS, and MCFLURRY amongst others for use in association with restaurant services and related food items. The Opponent's evidence shows that from each year in 2011 to 2017, annual total sales from McDonald's restaurants in Canada have exceeded on average \$3.5B. In contrast, there is no evidence of use of the Mark.

[3] For the reasons that follow, I find that the opposition succeeds.

BACKGROUND

[4] On October 31, 2016, the Applicant filed an application to register the Mark based on its use of the Mark in Canada since March 1, 2008.

[5] The application was advertised for opposition purposes in the *Trademarks Journal* issue dated August 30, 2017.

[6] On September 18, 2017, the Opponent opposed the application pursuant to section 38 of the *Trademarks Act*, RSC 1985, c T-13 (the Act). The opposition was based on a variety of grounds including that the Applicant was not the person entitled to register the Mark, the Applicant could not have been satisfied it was entitled to use the Mark, the Mark was confusing with the Opponent's registered trademarks, and the Mark is not distinctive. This Act was amended on June 17, 2019. All references in this decision are to the Act as amended, with the exception of references to the grounds of opposition which refer to the Act before it was amended (see section 70 of the Act).

[7] The Applicant filed and served a counter statement denying the grounds of opposition and pleading with respect to the Opponent's allegations of confusion:

The Opponent, McDonald's Corporation, owns a large number of registered trademarks in Canada featuring the element MC (or its phonetic equivalent MAC) ... The Opponents' nature of business is restaurant and food services. As such, the use of the element MC is used with wording related to food products and or food services. The opponent is in no way involved in the Real Estate and Mortgage Brokerage business, therefore, it would be highly unlikely to cause any confusion in the marketplace.

[8] The Opponent filed as its evidence the affidavits of Hope Bagozzi, Michael S. Duchesneau, Darcie Lee, and Gay Owens. No evidence was filed by the Applicant. The Opponent filed a written argument and no hearing was requested.

EVIDENTIAL BURDEN AND LEGAL ONUS

[9] Before considering the grounds of opposition, it is necessary to review some of the requirements with regard to (i) the evidential burden on an opponent to support the allegations in the statement of opposition and (ii) the legal onus on an applicant to prove its case.

[10] With respect to (i) above, there is an evidential burden on an opponent to support the facts in its allegations pleaded in the statement of opposition [*John Labatt Limited v The Molson Companies Limited* (1990), 30 CPR (3d) 293 (FCTD) at 298]. An evidential burden on an 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. With respect to (ii) above, the legal onus is on an applicant to show that the application does not contravene the provisions of the Act as alleged by an opponent (for those allegations for which the opponent has met its evidential burden). 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 an applicant.

GROUND OF OPPOSITION

Section 2 Ground of Opposition

[11] I will first consider the distinctiveness ground of opposition. The material date for assessing distinctiveness is the filing date of the opposition [*Metro-Goldwyn-Mayer Inc v Stargate Connections Inc* 2004 FC 11085, 34 CPR (4th) 317 (FC)]. The Opponent alleges:

Pursuant to paragraph 38(2)(d), the [Mark] is not distinctive and does not actually distinguish nor is it adapted to distinguish the services of the Applicant from the goods and services of the [Opponent] in view of the prior existence, adoption, use and making known of one or more of the Opponent's trademarks set out in Schedule "A", or a family of registered trademarks comprising the trademarks set out in Schedule "A" or a subset thereof.

Schedule "A" sets out a list of more than 70 registered trademarks.

[12] A trademark is distinctive when consumers associate it with a single source; if a trademark is related to more than one source it cannot be distinctive [*Moore Dry Kiln Co of Canada Ltd v US Natural Resources Inc* (1976), 30 CPR (2d) 40 (FCA) at 49]. The Opponent alleges that the Mark is not and cannot be distinctive of the Services in that it does not distinguish the Services from the goods and services of the Opponent. The Opponent has an initial evidential burden to establish that, as of September 18, 2017, that one or more of its trademarks were known to such an extent that they could negate the distinctiveness of the Mark [see *Bojangles' International LLC v Bojangles Café Ltd* 2006 FC 657, 48 CPR (4th) 427 at para 34 which sets out what is required of an opponent to meet its burden with respect to distinctiveness].

The Opponent Meets its Evidential Burden

[13] The Opponent's evidence summarized below is sufficient to meet the Opponent's evidential burden.

Affidavit of Hope Bagozzi

- (a) Hope Bagozzi has been employed by the opponent McDonald's Restaurants of Canada Limited since October 2004 and is the Marketing Officer (para 1). Ms. Bagozzi explains the relationship between the opponents and provides sufficient evidence for me to find that all use of the trademarks owned by McDonald's Corporation enures to it pursuant to section 50(1) of the Act (paras 3-4; *Empresa Cubana Del Tabaco Trading v Shapiro Cohen*, 2011 FC 102 at para 84). Ms. Bagozzi explains at paragraph 3 that:

McDonald's Corporation is the owner of the various trademarks and trade names discussed ... McDonald's Restaurants of Canada Limited (hereinafter "McDonald's Canada") is a wholly-owned subsidiary of McDonald's Corporation. Moreover, in Canada, McDonald's restaurants are owned and operated either by McDonald's Canada or by McDonald's Canada's franchisees. ... All trademarks and trade names owned by McDonald's Corporation and used at all material times by McDonald's Canada and/or by McDonald's Canada's franchisees ... have been used under license from McDonald's Corporation. Pursuant to this license, McDonald's Corporation

maintains direct control over the character and quality of the associated goods and services.

At paragraph 4 of her affidavit, Ms. Bagozzi provides specific examples of how McDonald's Corporation exercises control including reviewing samples of packaging and materials and providing specifications for the goods and services provided in association with the trademarks.

- (b) McDonald's Corporation is the owner in Canada of a large number of trademarks featuring the prefix Mc or Mac which have been used in association with McDonald's restaurant services and a large variety of food products and other items including the following: McDONALD'S , BIG MAC, MCCHICKEN, McCAFE, McNUGGETS, MCFLURRY, and MCMUFFIN (para 8).
- (c) McDonald's restaurant services and the sale of McDonald's food products take place in close association with the MCDONALD'S trademarks including in restaurants bearing McDonald's signage, menu boards, product packaging (para 11; Exhibits 1-3), tray liners (Exhibit 14); and ceiling danglers (Exhibit 15) , all featuring one or more the Opponent's trademarks.
- (d) The first McDonald's restaurant in Canada opened in Richmond, British Columbia in 1967 (para 2). In Canada, there are now over 1400 McDonald's restaurants (para 2).
- (e) From each year in 2011 to 2016, annual total sales from McDonald's restaurants in Canada have exceeded \$3.5B. On average, from 2011 to 2017, annual sales of BIG MAC sandwiches exceeded \$200M, McNUGGETS chicken nuggets \$230M, MCMUFFIN sandwiches \$155M, and McCHICKEN sandwiches \$90M (para 9).
- (f) Every year McDonald's spends tens of millions advertising and promoting its products and services. For at least the last ten years, McDonald's has produced major marketing campaigns at least ten times a year. These major marketing

campaigns are designed to reach 75- 90% of households across Canada (para 14). Advertising includes print advertising in newspapers, magazines and direct mail (Exhibit 5-8), advertising and promotion on websites and social media (Exhibits 9-13), advertising on 700 billboards (para 29; Exhibit 16), and television and radio advertising (paras 30-31).

- (g) McDonald's Canada and its franchisees conduct a national fundraising event known as MCHAPPY DAY every year to support children's charities including RONALD MCDONALD HOUSE (paras 36-37; Exhibits 27-29).

Affidavit of Darcie Lee

- (h) Darcie Lee has been employed by the opponent McDonald's Restaurants of Canada as its National Director of Asset Management & Property Taxation since December 2015 (para 1). In her affidavit, she refers to both opponents collectively as McDonald's which I continue in the subparagraphs below.
- (i) McDonald's has 1400 restaurant locations across Canada (para 3).
- (j) McDonald's owns, leases or licenses the property for all of its restaurant locations in Canada (para 4). It also owns excess commercial real estate throughout Canada, which it leases as a landlord to third parties (para 4). McDonald's has its own Real Estate and Construction Departments located in Toronto, Vancouver and Montreal which are responsible for locating, securing and developing vacant commercial real estate for the purpose of constructing new McDonald's restaurants throughout Canada (para 7).
- (k) This commercial real estate activity is carried out by McDonald's in association with the trade name McDonald's Restaurants of Canada Limited as shown on representative correspondence, business cards, and site plans (Exhibits 1(a)-3).

Test to determine confusion

[14] In this case, a determination of the issue of confusion between the marks of the parties effectively decides the issue of distinctiveness. As the Opponent has met its initial evidential burden, the Applicant must prove on a balance of probabilities that there is no reasonable likelihood of confusion with the Opponent's trademarks.

[15] The test to determine the issue of confusion is set out in section 6(2) of the Act where it is stipulated that the use of a trademark causes confusion with another trademark if the use of both trademarks in the same area would likely lead to the inference that the goods and services associated with those trademarks are manufactured, sold or leased by the same person, whether or not the goods or services are of the same general class or appear in the same Nice Class. In making such an assessment, I must consider all the relevant surrounding circumstances, including those listed in section 6(5): the inherent distinctiveness of the trademarks and the extent to which they have become known; the length of time the trademarks have been in use; the nature of the goods and services or business; the nature of the trade; and the degree of resemblance between the trademarks in appearance, or sound or in the ideas suggested by them. In *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23 (CanLII), [2006] 1 SCR 824 at para 20, the Supreme Court of Canada set out how the test is to be applied:

The test to be applied is a matter of first impression in the mind of a casual consumer somewhat in a hurry who sees the [mark] at a time when he or she has no more than an imperfect recollection of the [prior] trademarks and does not pause to give the matter any detailed consideration or scrutiny, nor to examine closely the similarities and differences between the marks.

[16] The criteria in section 6(5) are not exhaustive and different weight will be given to each one in a context specific assessment [*Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22 (CanLII), [2006] 1 SCR 772 (SCC) at para 54]. I also refer to *Masterpiece Inc v Alavida Lifestyles Inc* 2011 SCC 27 at para 49, where the Supreme Court of Canada states that section 6(5)(e), the resemblance between the marks, will often have the greatest effect on the confusion analysis.

[17] Finally, section 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 section 6(2) is whether purchasers of the Applicant's Services, provided

under the Mark, would believe that those Services were being provided by the Opponent, or that the Applicant was authorized or licensed by the Opponent.

Inherent distinctiveness of the trademarks

[18] This factor does not favour either party. The trademark McMORTGAGE is inherently distinctive since it is a coined word. However, since it is dominated by the descriptive element MORTGAGE, it cannot be said to be a strong mark. The Opponent's trademark MCDONALD'S is the possessive form of a surname and is therefore an inherently weak mark. Similar to the Mark, the Opponent's trademarks beginning with MC and ending with a food or service type such as MCCHICKEN, McCAFE, and McNUGGETS are not strong marks as they are dominated by their descriptive elements.

Extent known and the length of time the trademarks have been in use

[19] This factor strongly favours the Opponent. The Applicant has not evidenced any use of the Mark. Given the level of sales associated with the Opponent's trademarks and the penetration of the Opponent's advertising efforts, it is safe to assume that the Opponent's mark is known by almost every Canadian in association with restaurant goods and services. Finally, the Opponent has used the McDonald's trademark in Canada since the 1960s in association with restaurant locations (Bagozzi affidavit, para 2). In *Pink Panther Beauty Corp v United Artists Corp*, [1998] 3 FC 534 (FCA), the Federal Court of Appeal confirms that the length of time a trademark has been in use is a factor which must be given weight in assessing confusion:

The length of time that a mark has been used is obviously a factor which will contribute to confusion on behalf of the consumer in determining the origin of wares or services. A mark that has been in use a long time, versus one newly arrived on the scene, is presumed to have made a certain impression which must be given some weight.

Nature of the goods, services, or business, and trade

[20] The nature of the parties' core goods, services and trade are very different and target different consumers (those seeking financial services and those seeking a quick, inexpensive meal). While the nature of the goods, services or business and trade are very different, I do find

that there exists a limited nexus between them. Specifically, given the number of physical locations of the McDonald's restaurants, the Opponent along with its franchisees may be seen by consumers as engaging in the real estate sector in Canada.

Degree of resemblance

[21] The degree of resemblance between the trademarks will often have the greatest effect on the confusion analysis. When considering the degree of resemblance, the law is clear that the trademarks must be considered in their totality. The appropriate test is not a side by side comparison but an imperfect recollection in the mind of a consumer of an opponent's trademark [*Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée, supra* at para 20].

[22] The trademark McMORTGAGE does bear at least some degree of similarity both in appearance and in sound to a number of the Opponent's "Mc" formative trademarks including MCDONALD'S. On the other hand, the trademarks at issue do not suggest the same ideas. While a number of the Opponent's trademarks suggest a name, a surname, or a food product, none suggest the idea of a financial product related to real estate.

Surrounding circumstance – family of marks

[23] As an additional surrounding circumstance, the Opponent relies on its family or series of marks. The Opponent submits that the fact that it has a family of trademarks which include the prefixes MC and MAC for food products and restaurant services increases the likelihood of confusion [*McDonald's Corp. v Yogi Yogurt Ltd.* (1982), 66 CPR(2d) 101 (FCTD)]. The Opponent has evidenced the existence of a large family of MC-prefixed marks in combination with a food product or restaurant related name with extensive sales including MCNUGGETS, MCCHICKEN, MCMUFFIN and MCCAFE. I do not, however, find the Opponent's family of trademarks particularly relevant because the second element of the Mark is a financial services product as opposed to being food or restaurant related [*McDonald's Corp v McKenna*, 1997 CanLII 15884 (TMOB)].

Conclusion

[24] Ms. Bagozzi's evidence is that the Opponent's trademark McDONALD'S is famous in Canada and many of the trademarks for its associated food items are well known, if not also famous due to the level of sales and advertising. Because of the number of McDonald's restaurants which I infer to be around 1400 at the material date, I find that the balance of probabilities is evenly balanced between a finding of confusion between the parties' marks and a finding of no confusion. Specifically, I find that consumers upon encountering McMORTGAGE may as a matter of first impression believe that this trademark is indicative of financial services provided to those who seek to own a MCDONALD'S franchise or the like or that the applied-for services are otherwise affiliated or connected with the Opponent. As the Applicant has not filed any evidence, nor made any submissions, it fails to meet its legal onus of proving that the Mark is distinctive or is adapted to distinguish the Services on a balance of probabilities. This ground of opposition is therefore successful.

Section 30(i) and 22 Ground of Opposition

[25] I will now consider the Opponent's ground of opposition based on section 30(i) and section 22 of the Act. The material date to consider this ground of opposition is the filing date of the application [*Georgia-Pacific Corp v Scott Paper Ltd* (1984), 3 CPR (3d) 469 (TMOB) at 475]. The Opponent alleges:

... the application does not comply with paragraph 30(i) since the Applicant could not have been satisfied that it was entitled to use the [Mark] in association with the listed services in view of the facts set out above. In particular, the Applicant knew or should have known that use of the subject trademark in association with the listed services would be likely to have the effect of depreciating the value of the goodwill attaching to one or more of the Opponent's registered trademarks set out at Schedule "A" [to the statement of opposition as filed] ... contrary to section 22.

[26] Section 22(1) of the Act states:

No person shall use a trademark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.

[27] Section 30(i) of the Act requires that an applicant declare itself satisfied that it is entitled to use the applied-for mark. The jurisprudence suggests that non-compliance with section 30(i)

can be found in one of two circumstances. The first circumstance is where there are exceptional circumstances such as bad faith which render the applicant's statement that it is satisfied that it is entitled to use the applied-for mark untrue [*Sapodilla Co. Ltd. v Bristol-Myers Co.* (1974), 15 CPR (2d) 152 (TMOB) at 155; *Cerverceria Modelo, S.A. de C.V. v Marcon* (2008), 70 CPR (4th) 355 (TMOB) at 369]. In this case, there is no evidence of bad faith on the part of the Applicant. The second circumstance is where there is a *prima facie* case of non-compliance with a federal statute under the general principle that the Registrar cannot condone the registration of a mark if the applicant's use of the mark would violate Federal legislation including the Act [*Interactiv Design Pty Ltd. v Grafton-Fraser Inc.* (1998), 87 CPR (3d) 537 (TMOB) at 542-543; *Bojangles' International, LLC v Bojangles Café*, 2004 CanLII 71764 (TMOB) cited in *Dairy Processors Association of Canada v Dairy Farmers of Canada*, 2014 FC 1054; *River Island Clothing Co v International Clothiers Inc.*, 2013 TMOB 88] with the following caveat. Section 30(i) is not a "catch all clause". Therefore, a section 30(i) ground of opposition based on an allegation that the applicant is not entitled to register the applied-for trademark or that it is not distinctive or is not registrable will be declared invalid as these are duplicative of grounds of opposition as those set out at sections 38(2)(b)-2(d) respectively [*Ali Baba's Middle Eastern Cuisine Ltd v Nilgun Dardere*, 2012 TMOB 223 at para 15].

[28] The Registrar has previously noted that neither the Registrar, nor the Federal Court has ruled on whether a section 30(i) ground of opposition based on the violation of section 22 is a valid ground of opposition [*Euromed Restaurant Limited v Trilogy Properties Corporation* 2012 TMOB 19 at para 13; *Parmalat Canada Inc. v Sysco Corp.* 2008 FC 1104, 69 CPR (4th) 349 (FC) at paras 38-42]. I find that this is a valid ground of opposition on the basis that the Registrar cannot condone the registration of a mark if an applicant's use of the mark would violate Federal legislation including the Act. I find this case analogous to the cases where the Registrar has found a section 30(i) ground of opposition based on the violation of section 7(b) to be valid [*Bojangles, supra*; see also the discussion in *Dairy Processors Association of Canada v Dairy Farmers of Canada, supra* at paras 38-45].

[29] In *Veuve Clicquot, supra* at para 46, Justice Binnie identified four elements required for section 22 which are set out in **bold** below. As the Opponent has provided evidence of each of these elements as detailed below, I find that it has met its initial evidential burden.

- (a) **Use** – the application claims use since March 1, 2008. While McMORTGAGE is not one of the Opponent’s registered trademarks, as it begins with MC and is followed by a description of the associated financial products, it is sufficiently similar to the Opponent’s registered trademarks including McDONALD’S (TMA141,977), MCFLURRY (TMA477,525), MCNUGGETS (TMA393,609), MC CHICKEN (TMA275,398), and MCMUFFIN (TMA321,522), all of which were registered at the material date (Gay Owens affidavit, Exhibit 1). This construction results in use of a trademark so closely akin to these trademarks of the Opponent’s so as to be understood as one of its marks [*Venngo Inc v Concierge Connection Inc (Perkopolis)*, 2017 FCA 96 at paras 13, 80].
- (b) **Sufficiently well known to have significant goodwill** – The Opponent has evidenced significant use of its trademarks McDONALD’S, MCFLURRY, MCNUGGETS, MC CHICKEN, and MCMUFFIN, including extensive sales through its restaurants and advertising and promotion of its trademarks across Canada. The Opponent’s registered trademarks are famous and sufficiently well known to have significant goodwill. Further, increasing the goodwill is the Opponent’s charitable efforts [*Toys “R” Us (Canada) Ltd. v Herbs “R” Us Wellness Society*, 2020 FC 682 at para 57 where similar evidence of charitable efforts contributed to goodwill].
- (c) **Linkage** – I find a linkage, connection or mental association that is likely to have an effect on goodwill [*Veuve Clicquot, supra* at paras 46, 56] would exist in the mind of a consumer due to the similar construction of the McMORTGAGE trademark when viewed in light of the extensive use, sales and advertising of the Opponent’s goods and services in association with its registered trademarks set out above. While I am mindful that the Supreme Court states that the linkage between a defendant’s use and a plaintiff’s goodwill, is a matter of “evidence not speculation” (paragraph 60), I find that given the Opponent’s evidence of its extensive use that my finding that the Opponent has demonstrated this element is not speculative.

(d) **Damage** – I find that damage can be inferred from a likelihood of a “whittling away” of the McDonald’s brand’s power to distinguish the Opponent’s products: *Veuve Clicquot* at paras 63–64. As in the recent *Toys “R” Us (Canada) Ltd., supra* case at para 62, there is no evidence or apparent reason for the Applicant to adopt and use the McMORTGAGE trademark other than to trade off the goodwill and reputation established by the Opponent’s and this points to a finding of depreciation.

[30] Accordingly, I find the Opponent has met its evidential burden of raising a *prima facie* case that the Applicant’s use is not in compliance with section 22 of the Act. As the Applicant has not filed evidence or made submissions, it does not meet its legal onus and this ground of opposition succeeds. Had the Applicant filed evidence or made submissions, the result for this ground of opposition may well have been different.

Remaining Grounds of Opposition

[31] As I have already found in favour of the Opponent under two grounds of opposition, I do not consider it necessary to address the remaining grounds.

DISPOSITION

[32] Pursuant to the authority delegated to me under section 63(3) of the Act, I refuse the application pursuant to section 38(12) of the Act.

Natalie de Paulsen
Member
Trademarks Opposition Board
Canadian Intellectual Property Office

**TRADEMARKS OPPOSITION BOARD
CANADIAN INTELLECTUAL PROPERTY OFFICE
APPEARANCES AND AGENTS OF RECORD**

No Hearing Held

Agents of Record

Smart & Biggar

For the Opponents

No Agent Appointed

For the Applicant