

BETWEEN:

SIEGEL KAHN COMPANY OF }
CANADA LTD..... }

PETITIONER;

AND

PEGGY SAGE INC..... RESPONDENT.

1934
May 28.
—
June 29.
—

Trade-Mark—Expunging—Calculated to deceive—Licensing of trade-mark.

The respondent, a United States corporation, in July, 1932, registered the trade-mark "Peggy Sage" in the United States, and in June, 1933, registered the same mark in Canada. The N.W. Corporation, a United States company, owns all the capital stock of the respondent as well as that of N.W. Limited, a Canadian corporation. In October, 1932, an agreement was entered into between N.W. Limited, the Canadian company, and the respondent, whereby the respondent appointed the company its exclusive manufacturer and selling agent for the manufacture and sale in Canada and Newfoundland of certain named products under the *Peggy Sage* name and trade-mark, for 20 years from November 1, 1932. The company by the agreement recognized that the respondent owned the trade-marks and good-will of the business associated with those marks and agreed not to claim any ownership of such trade-marks. The petitioner claims that by entering into the agreement, the respondent parted with its right to its trade-mark and the same thus became vitiated and that it had no longer the right to use or register the mark in Canada. The petitioner also claimed that the company manufactured and sold the goods in Canada for its own account and that they were not the goods of the respondent, thus misleading dealers and users. The petitioner asked that the trade-mark be expunged.

The Court found that *Peggy Sage* products are manufactured and sold in Canada by the company as the manufacturing and selling agent of the respondent, and not as the goods of the company; that the registered trade-mark is used on such goods to indicate they are the goods of the respondent and not those of the company; that the public is not deceived by the conduct of the respondent or of the company; that no retailer or user of the respondent's products is led to believe the goods marketed are those of any person or concern other than the respondent.

Held: That there is no confusion or deception in the use by the company of the trade-mark *Peggy Sage*.

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2. That there was no licensing, by the respondent, of the registered trade-mark in gross, in fact or in law, to the Canadian company. *Bowden Wire Ltd. v. Bowden Brake Company Ltd.*, 30 R.P.C. 45, 580 and 31 R.P.C. 385, distinguished.

MOTION to have the trade-mark of the respondent expunged.

The motion was heard before the Honourable Mr. Justice Maclean, President of the Court, at Ottawa.

R. S. Smart, K.C., and *A. W. Langmuir, K.C.*, for the petitioner.

W. L. Scott, K.C., for the respondent.

The facts and questions of law raised are stated in the reasons for judgment.

THE PRESIDENT now, (June 29, 1934) delivered the following judgment:

There is pending in this Court an action between Peggy Sage Inc. and Northam-Warren Ltd. as plaintiffs, and Siegel, Kahn Company of Canada Ltd. as defendant, in which the plaintiffs seek to expunge from the registry the trade-mark "Peggy Royal" registered by the defendant, on the ground that it infringes the trade-mark "Peggy Sage," registered by the first named plaintiff. In that action certain officers of the plaintiff corporations were examined on discovery, when a certain agreement entered into between the two said plaintiffs was produced, and which agreement will be referred to with greater particularity, presently. The proceeding now to be considered is an originating notice of motion, supported by a petition intituled as above, in which the petitioner, Siegel, Kahn Company of Canada Ltd. asks for an order expunging the trade-mark "Peggy Sage," registered in Canada by Peggy Sage Inc. the respondent in this motion, and the grounds for the motion are based largely upon the terms of the agreement mentioned. The point for decision is an important one.

The petitioner, a body corporate duly incorporated under the laws of the Dominion of Canada, with its head office at the city of Toronto, Ontario, registered in June, 1932, in Canada, the trade-mark "Peggy Royal," to be applied to the sale of toilet articles and preparations. The respondent, Peggy Sage Inc. is a body corporate incorporated

under the laws of the State of New York, with its head office at the City of New York, U.S.A. In 1917, one Peggy Sage established in New York City the business of manufacturing and selling certain toilet articles, preparations for the treatment of the hair, and various manicure preparations, and this business she carried on until 1930, adopting her own name as a specific trade-mark to be applied to such goods, when the respondent company, Peggy Sage Inc., was incorporated to acquire that business together with the trade-mark "Peggy Sage," and "the right to use the name 'Peggy Sage' throughout the world, and the goodwill appertaining thereto and to said business." The trade-mark "Peggy Sage" was registered in the United States by the respondent, in July, 1932, and in Canada in June, 1933.

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It is disclosed in the material before me, that a United States corporation, known as Northam-Warren Corporation, with its head office in the City of New York, is the owner of all of the capital stock of Peggy Sage Inc., and that it promoted the incorporation of Peggy Sage Inc. for the purpose of acquiring the business of Peggy Sage and in order to preserve as far as possible the name of Peggy Sage in connection with the manufacture and sale of what is called Peggy Sage products; Northam-Warren Corporation, as a holding company, is similarly interested in various other business concerns. Northam-Warren Corporation is also the owner of all the capital stock of Northam-Warren Ltd., a Canadian corporation, one of the plaintiffs in the action already mentioned, and this corporation was created at the instance of Northam-Warren Corporation for the purpose, it is alleged, of handling the Canadian business of Peggy Sage Inc. In the result, the business of Peggy Sage Inc., and Northam-Warren Ltd., is controlled by Northam-Warren Corporation. We may now refer to the agreement which I have already mentioned and which is the foundation of the present motion.

In October, 1932, an agreement was entered into between Northam-Warren Ltd., the Canadian company, and Peggy Sage Inc. The agreement recites that Northam-Warren Ltd., referred to as Warren, is engaged in Canada in the manufacture of manicure and toilet preparations and the sale thereof throughout Canada; that Peggy Sage

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Inc., referred to as Sage, is the owner of certain trade-marks and formulae for Peggy Sage products; as well as being the owner of the goodwill of the business connected with such products; and that Peggy Sage Inc. desires the continued manufacture and sale of Peggy Sage products of a standard conforming to its present formulae and to arrange for the manufacture and sale of said Peggy Sage products in Canada. The agreement provides:

1. SAGE hereby appoints Warren its exclusive manufacturer and selling agent for the manufacture and sale in the Dominion of Canada only, of certain products which are named, under the PEGGY SAGE name and trade-mark for a period of twenty (20) years from November 1, 1932. (Then follows a list of the names of the Peggy Sage products).

2. Sage agrees to communicate its formulae.

3. Warren agrees to maintain the quality of the Peggy Sage products.

4. It is understood that this agreement shall cover the Dominion of Canada and Newfoundland only, and in this territory Warren is given the exclusive right for the manufacture and sale of SAGE products.

5. WARREN hereby recognizes that SAGE is the owner of all PEGGY SAGE trade-marks, trade-mark rights, trade names, brands, and the goodwill of the business associated with such marks, and WARREN hereby agrees not to claim any ownership of such trade-marks without the express written permission of SAGE.

6. This agreement is made in consideration of the payment of One Hundred (\$100) dollars by WARREN TO SAGE and for other valuable considerations, the receipt of which is hereby acknowledged, but it is understood that all expenses in connection with the manufacture of PEGGY SAGE products, including the examination and testing of such products by SAGE, shall be borne by the party WARREN.

7. This agreement shall supersede all other agreements between the parties and shall become effective and operative as of November 1, 1932.

For the purpose of convenience and clarity it will be convenient hereafter to refer to the parties to this agreement as Warren and Sage respectively, as in the agreement itself, and to Northam-Warren Corporation as the American Corporation.

Now, the gravamen of the contention put forward on behalf of the petitioner is that under the agreement, Sage has licensed Warren exclusively to manufacture and sell, Peggy Sage products, for Warren's account, and in that connection to use its trade-mark "Peggy Sage," while still being the registered owner thereof, and that in so doing it parted with its right to such trade-mark and the same thus became vitiated, and further, that Sage disqualified itself for applying for the registration in Canada of the trade-mark "Peggy Sage"—which application was subsequent to the date of the agreement—on the ground that after

the agreement was entered into it had no longer the right to use or register this mark in Canada because it had parted with any right in the same, for a time at least. It was also urged that while Sage remained the registered owner of the trade-mark in question, the goods to which in fact the mark was applied in Canada, were manufactured and sold by and for Warren's account, and were not the goods of Sage, thus leading dealers and users to believe that the goods made and sold by Warren were the goods of Sage. All this, it is claimed, vitiates the registered mark here in question, and that it should therefore be expunged.

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Petitioner's counsel relies upon the English case of *Bowden Wire Ltd. v. Bowden Brake Co. Ltd.* (1) This case went to the Court of Appeal, and subsequently to the House of Lords (2). It becomes necessary to examine this case with some care so as to ascertain precisely what principle was ultimately therein decided, and as usual, it is of prime importance first to ascertain the actual facts disclosed in the case.

The facts, of the Bowden case, which are to be gathered from the reports of the several judgments rendered therein, are substantially as follows. Bowden Wire Ltd., the plaintiff company, were the proprietors of certain patents of invention for what was known as the "Bowden Wire" used in connection with the transmission of power for cycle and motor cycle brakes, and it carried on a manufacturing business, and also granted licences to numerous other persons or companies to manufacture on royalties. In 1901 it promoted the defendant company, the Brake Company, and by agreement between the two companies the plaintiff company agreed to sell, and the defendant company agreed to purchase, that portion of the plaintiff company's business which consisted of Bowden Cycle Brakes, with the goodwill thereof, and all trade-marks (if any) connected therewith. In August, 1901, the Wire Company licensed the Brake Company exclusively, except as to outstanding licences, to make and vend the said inventions but only as applied to cycle brakes. The agreement was that the Wire Company alone were to supply to the Brake Company the Bowden Wire, and the Brake

(1) (1913) 30 R.P.C. 45.

(2) (1913) 30 R.P.C. 580.
(1914) 31 R.P.C. 385.

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Company were not to manufacture it, or obtain it from any other source. The Brake Company were to make other parts of the brake—to wit, the shoes, levers and fittings. The complete article was to be sold by the Brake Company only during the continuance of the patents. “Cycle” by a supplementary agreement made in April, 1903, was defined to mean cycles of any sort propelled wholly by the rider’s own physical power, and was not to include motor cycles or other vehicles propelled partially by the rider’s own physical force. The Wire Company accordingly, from this date, had the sole right during the licence, to supply patented brakes for motor cycles, whether or not these cycles were propelled partially by the rider, and the division was complete between motor cycle brakes supplied by the Wire Company, and pedal cycle brakes supplied by the Brake Company. Under the licence mentioned the Brake Company admittedly made and sold pedal cycle brakes from 1901 up to the date of the commencement of the litigation, which I think was 1912. In September, 1903, the Wire Company applied to register a trade-mark in Class 13 for brakes for velocipedes consisting of a picture of a coil of wire with the word “Bowden” enclosed therein, and the application was granted in January, 1904. In February the Wire Company granted a licence to the Brake Company, limited to the continuance of the letters patent, to use this trade-mark in connection with brakes for pedal cycles manufactured and sold by it in virtue of the licence to use the patents. It was conceded that, at least ever since that date, the pedal cycle brakes sold by the Brake Company had been stamped with the said trade-mark. Thus the Wire Company disposed of their Bowden pedal cycle brake business and the goodwill thereof, to the Brake Company, and licensed the latter to use the former’s own trade-mark during the existence of the licence. In January, 1904, the Wire Company made application for a registration of the very same mark in respect of a further description of the goods, also within Class 13. These goods are described as component parts, attachments, and accessories (other than brakes) of velocipedes, motor cycles, automobiles, and other road vehicles. * * * sold as separate articles. This application was granted on the 6th of May, 1904. Both companies con-

tinued to carry on business harmoniously for some years, the Wire Company's business being confined to brakes and other accessories for motor cycles, in respect of which they used the same mark. The directors of the two companies were, I think, the same until 1907 when the Brake Company acquired the business of another concern and a director of that concern then took his seat at the Board of the Brake Company. Subsequent to this date it would appear that attempts were made by the Brake Company to extend their user of the trade-mark beyond the terms of the licence of 1904. In March, 1912, the patents, and the licence to make pedal cycle brakes—whose term of duration synchronized with the duration of the patents—having by this time expired, the Brake Company, in advertising matter, clearly disclosed that they proposed to use the same mark which hitherto they had used only on pedal cycle brakes, on all sorts of accessories and fitments to motor cycles, and after the expiration of the letters patent, it would seem the Brake Company continued to use the mark not only on brakes for pedal cycles but also in respect of brakes for motor cycles which they then began to manufacture. Upon this the Wire Company raised an action to restrain the Brake Company from so using the mark. This was met by an application by the Brake Company to expunge both the first and the second registrations, on the ground that they were not distinctive and were calculated to deceive, and the two proceedings were conjoined. The learned trial Judge, on the motion to expunge, did not expunge, but altered the first registration by limiting it to brakes for road vehicles other than velocipedes, or cycles wholly propelled by the physical force of the rider, and he left the second registration as it stood. He held that the Brake Company had no general right to continue to use the trade-mark after the term of the licence had expired and no right to prevent the Wire Company from using the mark as they had used it since the registration; that the trade-mark was distinctive and not deceptive but on the ground of non-user, the entry of the first mark should be varied by restricting it to road vehicles other than pedal cycles. In the action he granted an injunction against the Brake Company using the mark, except in connection with pedal cycle brakes. On

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appeal, the Court of Appeal was of the opinion that both trade-marks should be removed from the register as not being distinctive and as being calculated to deceive. On appeal therefrom to the House of Lords, the appeal was dismissed, but as to the second trade-mark, on grounds not altogether those on which the Court of Appeal rested their judgment, namely, the similarity of the goods for which the marks were registered, but on the ground that the Wire Company obtained the second registration in the acknowledged capacity of exclusive owners of the mark under the first registration and which was merely an extension of their rights under the first, and the first mark being expunged it was held the second mark should also be expunged.

Turning now to the decision of the House of Lords, The Lord Chancellor, Earl Loreburn, agreeing with the opinion about to be expressed by Lord Dunedin, expressed his views in brief terms and as follows:

The appellants (Wire Company) have misconceived or at all events misused, the protection which the law gives to a trade-mark. The object of the law is to preserve for a trader the reputation he has made for himself, not to help him in disposing of that reputation as of itself a marketable commodity independent of his goodwill to some other trader. If that were allowed, the public would be misled, because they might buy something in the belief that it was the make of a man whose reputation they knew, whereas it was the make of someone else.

In this case the appellants parcelled out the right to use their trade-mark as if they had been dealing with a patent. The particulars of the distribution are not important. It is enough that they enabled or allowed people who were not registered for it, to use the trade mark on a substantial scale for their make of a description of goods dealt with habitually in the same class of business.

Lord Dunedin held that the Wire Company in licensing the Brake Company to use the first mark on all pedal cycle brakes made by it and which were stamped with such mark, was an attempt to assign a trade-mark in gross, a thing that could not be done, and this vitiated the Wire Company's trade-mark as registered. He stated that by registration the Wire Company affected to tell the public that goods in the class, and of the description specified, marked with the first registered mark, were their goods, that is to say, manufactured or at least put on the market by them, while in fact they were manufactured and put on the market by the Brake Company. His Lordship then proceeded to discuss the second registration upon the

hypothesis that the first was expunged, and he seems to have been of the opinion that the Wire Company got the second registration in the capacity of exclusive owners of the mark under the first registration, an assumption swept away by the fact that the first registration had become vitiated, but he did not decide that the second mark might not again be registered. I quote from Lord Dunedin's speech:—

The view I take is that put before your Lordships by the Attorney-General, as representing the Registrar, and is really a corollary to what I have already said as to the matter of correcting the first registration. The Wire Company have got the second registration in the acknowledged capacity of exclusive owners of the mark under the first registration. It was the ordinary case of the proprietor of a mark extending the branches of his business. See per Lord Justice Cotton in *Edwards' Trade-Mark* (L.R. 30 C.D. at p. 475). But this is now known to be a false assumption. Therefore here again the Registrar ought to be in a position to reconsider the situation. The action of the Court of Appeal does not in any way preclude the Wire Company from applying de novo for a registration in terms of the second registration, and if in the whole circumstances of the case such a registration is in his judgment not calculated to mislead the public, and if the Brake Company do not successfully show that they have been in the field with articles falling within the description of goods in the second registration, and used in connection with the mark—a point as to which I think it much best to say nothing—then they will get the registration they wish. I say nothing as to the point on the evidence.

Lord Shaw observed that the entire law of trade-marks might be expressed in the one compendious phrase, that is to say, that a trade-mark is simply an intimation upon goods that they are the goods of the owner of the mark, and he dissented from the argument of counsel that the application for the second trade-mark put upon accessories as apart from the brakes themselves, was an application for a second trade-mark; it was, he said, an application for the same trade-mark which had already been convicted of confusing the public mind and applying it so as to extend the ambit and area of that confusion; and it was upon the ground of confusion that he held the second registration was invalid. He stated that while trade-marks may be split up and distinguishable in the skilled mind of one witness, yet the Registrar had to look to broader considerations and the interests of the public at large. Confusions and difficulties appeared to him to be especially probable if the splitting up—the different significations of ownership—were permitted in the same class of goods, made by the same class of makers, and disposed in the same class of

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warehouses and shops. He concluded his speech by saying:—

That this mark, confusing, troublesome, assigned contrary to law for a period of years, should stand on the Register I have no manner of doubt should not be allowed. It must go. That it should be preserved in existence for accessories, with regard to that—agreeing with the Registrar—I have also no doubt. A thing so confusing, productive of difficulty, and for years inconsistent with law, ought not to be allowed to stand upon the Register of Trade-Marks at least for any part of that class of goods.

The principle deducible from the decision of the House of Lords, applicable to the controversy here, is, in my opinion, that a licensing of a trade-mark in gross, as the phrase goes, and the use of that mark by an unregistered licensee, on goods manufactured and marketed by such licensee as his goods, and not those of the registered owner of the mark, vitiates the registered mark, in the Bowden case, the first registered mark. The pedal cycle brakes there were made and sold to the public by the Brake Company as its own goods. Further, that the use of the mark on pedal cycle brakes by the Brake Company, and the use of the same mark on related goods made and sold by the Wire Company, was calculated to confuse the public. The first mark registered in the name of the Wire Company was obviously bad, because either it of right should have been assigned to the Brake Company, under the agreement of sale of 1901, or, because it was licensed to be used by the Wire Company on goods made and sold by the Brake Company, and not on goods made or sold by the Wire Company, the registered owner of the mark. I have quoted from the speeches of their Lordships and from that will appear their respective reasons for holding the second mark invalid, and in effect they differ slightly. The second mark was ordered to be expunged but in reality that is not of importance here.

It will be appropriate now to enquire into the facts concerning the conduct and practice of Warren and Sage, in connection with the manufacture and distribution of Peggy Sage goods, in Canada. The date of the agreement between Warren and Sage, it will be remembered, was October, 1932. In September, 1933, Sage, under the Extra Provincial Licence Act of the Province of Quebec, was licensed to carry on its business in that province, and for a time at least it had an office in that province. The trade-

mark in question had been used by Sage on Peggy Sage products sold in Canada from the year 1920 down to the date of the incorporation of Warren, and since then, it is claimed, both in the United States and Canada. The sales manager and secretary of Warren, one Markley, gave evidence on discovery, and he stated that Warren acts as distributors for Peggy Sage products in Canada which would seem accurate as far as it goes, but it is presently also the manufacturer of such products. He stated that Warren has been putting on the market, in Canada, Peggy Sage products since 1930, but prior to that date Canadian requirements were supplied by Warren through importations from Sage in New York. From the evidence on discovery it would appear that, in January, 1931, Warren commenced the manufacture of Peggy Sage products, Sage shipping the raw material from New York to Warren, but now, since 1931 I should say, though it is not clear, most of the raw material is purchased in Canada. The cost accounting in connection with the production of Peggy Sage products in Canada is apparently carried on in New York by Sage; items of cost of labour, and invoices of raw material, are, in practice, forwarded by Warren to Sage or the American Corporation, in New York, and apparently paid for by either of them, although that is not quite clear. The cartons and bottles used in packing Peggy Sage goods are imported from New York from Sage, but it does not appear whether Warren or Sage pays for the same. In the case of shipments of goods from Warren to Canadian customers, the original invoice, which is in the name of Sage apparently, goes to the customer and a copy to Sage in New York. All remittances for goods sold by Warren to customers in Canada, are made payable to Sage—which is significant—and deposited to the credit of the account of Warren, or the American Corporation, it is not clear which, but I think the latter. Samples of all goods manufactured by Warren are forwarded to Sage, for inspection I assume. It would appear that a special allowance is made to Warren by Sage for advertising Peggy Sage products in Canada, that is, for co-operative advertising with particular customers who would themselves be advertising those goods. It seems that orders for Peggy Sage products are solicited by mail, by Sage, from New York.

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Further facts relating to the distribution, in Canada, of Peggy Sage products by Warren should be mentioned. Upon the motion there was produced the affidavit of R. F. Merkley, manager for both Warren and Sage, in Canada, and produced as an exhibit thereto was a printed inspection slip which is placed in each container of Peggy Sage products sold in Canada, since October, 1933. That inspection slip may usefully be reproduced:

Form 47 P.S.

Printed in Canada

INSPECTION SLIP

Packed by
 Inspected by
 No.

Every step in the making of my

PEGGY SAGE

Salon Manicure Preparations

is carefully supervised to maintain the high standard of excellence for which my Salon and Preparations are known.

In case of complaint, kindly return this slip to me for attention.

PEGGY SAGE

Incorporated

980 St. Antoine Street

Montreal,

Canada.

It appears that, in one instance at least, in the packing of Peggy Sage products by Warren, another printed inspection slip was used, produced as an exhibit in support of the petitioner's motion, and at the bottom of this inspection slip appears the printed words "Northam-Warren Limited, Montreal, P.Q., Canada." This inspection slip used in the packing of goods manufactured by Warren other than Peggy Sage goods, showing the name of Warren, etc., found in a container of Peggy Sage products purchased in the open market by the petitioner, is said to have been due to inadvertence and that by inadvertence the name of Warren was not cut off, as for a time was apparently the practice. That the inclusion of the name Warren on this inspection slip was due to inadvertence, seems to be satisfactorily established, in fact it was not contested, and

it may be accepted that this form of inspection slip was never used in the packing of Peggy Sage goods by Warren, in Canada, except by mistake. Therefore, in the packing of Peggy Sage goods in Canada by Warren, the inspection slip in full above set out, is always used, being placed within the container containing any particular Peggy Sage product. Then, any advertising leaflets, price lists, which are ordinarily placed in each container, bear the name of Peggy Sage Inc., and the name of Warren does not appear at all thereon. Exhibit F, being a bottle of liquid, has printed on the label attached thereto the following words: "Manicure Liquid Polish, Ex. Pale (below), Peggy Sage Inc. New York," and the carton containing the bottle has the words "Peggy Sage, New York," printed thereon.

Now, what conclusions are to be drawn from the facts which I have narrated in respect of the manufacture and sale of Peggy Sage products, and the use of the mark in question, in Canada, and also from the terms of the agreement? It seems to me that the facts establish that Peggy Sage products are manufactured and sold in Canada by Warren as the manufacturing and selling agent of Sage, and not as the goods of Warren; that the registered trademark is used on such goods to indicate the goods of Sage and not the goods of Warren; that there is no evidence of any confusion or deception on the part of the public flowing from the conduct of Warren or Sage; and that there is no evidence of any retailer or user of Peggy Sage products being led to believe that the goods marketed are those of any person or concern other than Sage. The manner of placing the Peggy Sage products on the market, as exemplified by the printed matter on the cartons, bottles, inspection slips, price lists, invoices and advertising matter, all negative the suggestion that the goods are marketed as the goods of Warren, or that there is any intent to represent the same to the public as the goods of any one else but that of Sage, or that the public regard them as anything but the goods of Sage. The fact that the petitioner herein only discovered upon the production of the agreement the suggestion that the Peggy Sage goods were those of Warren, though it was in much the same class of business, is rather a demonstration that, in fact, to retailers and users, and the public generally, the Peggy

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Sage goods, accompanied by the mark in question, are regarded as the goods of Sage, and that there is no ground for confusion or deception on the part of anybody. Then coming to the agreement itself. The agreement merely designates Warren as "its (Sage) exclusive manufacturer and selling agent for the manufacture and sale in the Dominion of Canada" of certain named products. That would seem plain. There is no assignment of the goodwill in Sage's business in Peggy Sage products; and in fact the agreement stipulates that there is not any such transfer, or of the mark associated with such goods. I think the agreement means that Sage contracted that Warren was to manufacture and distribute Peggy Sage products in Canada, for and on the account of Sage, and as its agent. And there cannot be any objection to this being done. The provisions of the agreement as to inspection, standard of goods, the examination and testing of such goods, by Sage, all seem consistent with that view. The clause in the agreement in reference to the expense of manufacturing Peggy Sage products being borne by Warren does not indicate to me that this was intended to mean that the goods so manufactured and sold by Warren, were to be considered the goods of Warren. The full facts as to the terms of manufacturing, and just how Warren was to be recompensed, are not, I think, fully disclosed, in fact there was no reason why in the circumstances they should be disclosed, if both parties saw fit not to do so. The consideration stated in the agreement is obviously nominal, and does not indicate the sale of the goodwill of the business of Sage to Warren, and what was meant by "other valuable considerations" is not disclosed. I think the true construction of the agreement is that Warren was to manufacture and distribute for Sage, the goods of Sage, and that the trade-mark of Sage was to be applied thereto to indicate the goods of Sage. In practice, that is what was done, and except in a very technical sense there would seem to be no reason for thinking otherwise. The whole agreement expresses a business arrangement for the conduct of Sage's business in Canada, by an agent, without transferring its registered mark or the goodwill in the business with which the mark was associated.

Nothing more, I think, can be usefully said, unless it be to refer briefly again to the Bowden case. The facts in the Bowden case, and in this, are quite dissimilar. I do not think any confusion or deception in the use of the trade-mark here arises. The mark is being used by one party only, and that, I think, is Sage, which was not the fact apparently in the Bowden case. In respect of the first registered mark in the Bowden case there was an assignment of the goodwill of the business with which the mark was associated, together with permission to thus use the mark; here there was no transfer or assignment of the goodwill of the business, or the mark; both were, I think, expressly retained by Sage, and in my view of the matter there was no licensing of the registered mark in gross, in fact or in law, to Warren. There can be no doubt, I think, that Sage had a goodwill in the Canadian business in Peggy Sage products. Any doubt as to the effect of the decision of the House of Lords in respect of the second registered mark in the Bowden case is not of importance here, and in fact here may be wholly disregarded. In the case under consideration the registered trade-mark applied to Peggy Sage goods was an intimation that the same were those of the registered owner of the mark, as I think in fact they were, whereas in the Bowden case, in respect of the first mark, the goods were clearly not those of the registered owner of the mark. The facts, and the arrangement reached between the parties in the Bowden case, differ altogether from the facts, and the manufacturing and selling arrangements, made between Warren and Sage.

The subject matter of this motion might probably have been more satisfactorily disposed of upon the trial of the action mentioned to expunge the trade-mark "Peggy Royal," and in that action the issue here is, at least for practical purposes, raised. However, the petitioner has seen fit to launch this motion in advance and independent of the trial of that action, and probably there is no serious objection to that. The motion fails, and the respondent is entitled to its costs of the same.

Judgment accordingly.

1934

SIEGEL
KAHN Co. OF
CANADA LTD.

v.
PEGGY SAGE
INC.

Maclean J.