

Date: 20070731

Docket: T-754-06

Citation: 2007 FC 801

Ottawa, Ontario, July 31, 2007

PRESENT: The Honourable Madam Justice Simpson

BETWEEN:

BUDGET BLIND SERVICE LTD. and MARK REYNOLDS

Applicants

and

BUDGET BLINDS, INC.

Respondent

REASONS FOR JUDGMENT AND JUDGMENT

[1] The Applicants have applied, pursuant to section 57 of the *Trade-marks Act*, R.S. 1985, c. T-13 (the Act) for an order that the Respondent's trade-mark registrations No. TMA659164 and TMA659170 (together the Respondent's Marks) be struck out on the basis that they are invalid because (i) they were confusing contrary to section 17 of the Act when the trade-mark applications were filed on March 12, 2003 and (ii) they lacked distinctiveness contrary to paragraph 18(1)(b) of the Act when this proceeding was commenced on May 2, 2006.

[2] The Applicants also seek declarations that the Respondent was not the person entitled to secure registration of the Respondent's Marks.

THE APPLICANTS

[3] Mark Reynolds (Reynolds), is the President and a director of the Applicant Budget Blind Service Ltd. It was incorporated in September 2000 pursuant to the laws of British Columbia and has an office in Surrey, B.C.. Reynolds and his wife are the only shareholders of Budget Blind Service Ltd.

[4] In his affidavit sworn on May 31, 2006 (the Reynolds Affidavit), Reynolds describes the business of Budget Blind Service Ltd. as follows:

- a. as to wares: Window coverings in the nature of window blinds, window shades, and window shutters; and
- b. as to services: Services related to the cleaning and repairing of window coverings, window blinds, window shades, and window shutters.

[5] Reynolds also says that from October 1989 to September 2000 he carried on the Business continuously using the trade-marks “Budget Blinds”, “Budget Blind Service “and “Budget Blind Cleaning”. Reynolds says that after he incorporated Budget Blind Service Ltd. in 2000, it continued to use these names as his licensee and it still uses them today.

[6] Reynolds did not take a position about whether these names were unregistered trade-marks or trade names, the terms were used interchangeably in the Applicants’ written materials and in oral submissions. They said that both paragraphs 16(3)(a) and (c) of the Act applied. The Respondent,

on the other hand, said that the Applicants' marks were trade names. In my view, nothing turns on the distinction in this case so I will refer to them as the "Applicants' Names".

THE RESPONDENT

[7] The Respondent Budget Blinds, Inc. was incorporated in California in 1992. Chad Hallock, its Chief Executive Officer, swore an affidavit on September 1, 2006 (the Hallock Affidavit). It says that since 1994 Budget Blinds, Inc. has been:

...in the business of franchising window covering businesses throughout the United States and Canada. Budget Blinds franchises operate primarily through a shop-at-home business model, that is, Budget Blinds franchisees travel directly to customers' homes or businesses to display, sell, measure and install window covering products.

There are presently over 1089 territories franchised by Budget Blinds throughout the United States and Canada with approximately 708 licensees, each of which operates under the "BUDGET BLINDS" trade name and trade mark. As of August 14, 2006, 24 of these territories were in Canada, operated by 12 franchisees.

[8] The Hallock Affidavit also states that since its incorporation in 1992 and once it began its franchise operations in 1994, the Respondent has continually used "Budget Blinds" as its trade name and trade-mark in association with the retail sale of blinds and the operation of Budget Blinds' franchises.

[9] In 2002/2003, the Respondent considered expanding its operations into Canada and, in anticipation, on March 12, 2003, filed to register the Respondent's Marks in Canada based on

proposed use. In 2005, the Respondent decided to actually move its business into Canada and, on February 16, 2006 had the Respondent's Marks registered in Canada based on use in Canada by its franchisees. This use continues today.

THE RESPONDENT'S MARKS

[10] TMA659164 (the First Mark) consists of the words "Budget Blinds". It was applied for as a proposed mark on March 12, 2003 and registered on February 16, 2006 following the filing of a Declaration of Use on January 24, 2006. The First Mark was registered in the United States on December 21, 1993.

[11] The First Mark relates to services which are described as "Distributorship and retail stores services in the field of window coverings".

[12] TMA659170 (the Second Mark) consists of the words "Budget Blinds" in a stylized format which shows the word Budget in smaller typeface positioned above the word Blinds (between the letters l and d). Blinds appears in type which is approximately 2.5 times larger than the type used for the word budget. The letters in both words are in heavy bold type.

[13] The Second Mark was applied for as a proposed mark on March 12, 2003 and registered on February 16, 2006, following receipt of a Declaration of Use which was filed on January 24, 2006.

[14] The First and Second Mark will be referred to collectively as the Respondent's Marks.

THE ISSUES

[15] Were the Respondent's Marks in use and confusing with the Applicants' Names on March 12, 2003 when applications to register the Respondent's Marks were filed such that subsection 16(3) of the Act applies to make the registrations invalid because they were unregistrable under paragraph 18(1)(a) of the Act?

[16] Did the Respondent's Marks fail to distinguish the Respondent on the date these expungement proceedings began (May 2, 2006) such that by reason of paragraph 18(1)(b) of the Act their registrations were invalid?

DISCUSSION

Issue 1 - Confusion

[17] Subsection 6(5) of the Act, provides a roadmap for considering the confusion issue. It says:

6. (5) In determining whether trade-marks or trade-names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including

(a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;

(b) the length of time the trade-marks or

6. (5) En décidant si des marques de commerce ou des noms commerciaux créent de la confusion, le tribunal ou le registraire, selon le cas, tient compte de toutes les circonstances de l'espèce, y compris :

a) le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans laquelle ils sont devenus connus;

trade-names have been in use;

(c) the nature of the wares, services or business;

(d) the nature of the trade; and

(e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.

b) la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage;

c) le genre de marchandises, services ou entreprises;

d) la nature du commerce;

e) le degré de ressemblance entre les marques de commerce ou les noms commerciaux dans la présentation ou le son, ou dans les idées qu'ils suggèrent.

[18] The threshold question in this case concerns use of the Applicants' Names. The Respondent concedes that Budget Blind Services and Budget Blind Cleaning were in use but denies that "Budget Blinds" was in use on March 12, 2003. My conclusion is that the evidence in the Reynolds Affidavit does not establish such use. My reasons are as follows:

(i) The Reynolds Affidavit refers to a fax sent by the Applicant corporation to its lawyer on April 18, 2005 which shows the sender as Budget Blinds. However, the fact that a fax machine heading in 2005 says Budget Blinds does not illustrate use in March of 2003 or use in association with the Applicants' wares or services. I therefore, gave this evidence no weight.

(ii) The Reynolds Affidavit indicates in paragraph 19 that:

...since at least October, 1989, and continuing to the present, uninterrupted, I have answered, and I have instructed all of my employees to answer my business telephone calls by identifying my business as "Budget Blinds."

In this regard, the Respondent relies on the affidavit of Lisa Koltun sworn on August 28, 2006. She is a private investigator who was retained on June 13, 2006 (the Koltun Affidavit).

The Koltun Affidavit includes the following passages in paragraph 7:

Between June 14, 2006 and June 19, 2006, I placed several calls to the business telephone number of Budget Blind Services Ltd. at (604) 514-8842. Calls made between the hours of 9:00 am and 2:00 pm were answered by an unidentified female, who answered the telephone by stating "Budget Blind Services". Calls made after 2:00 pm were answered by a message service stating the following in a male voice:

"Hello, and thanks for calling Budget Blind Services. Our office hours are Monday to Friday from 9:00 a.m. until 2:00 p.m. This is for blind repairs, cleaning, and drop-off. We do have drivers that work longer hours. Please leave a message after the tone and we'll get back to you as soon as possible."

In my view, this evidence shows that the Reynolds Affidavit which purports to describe a longstanding and current practice is not trustworthy evidence. It was clearly wrong in June of 2006 and this casts general doubt on its accuracy. Accordingly, I concluded that this evidence was unreliable and I gave it no weight.

- (iii) The Reynolds Affidavit of May 2006 includes as Exhibit K, a table display card "recently" used at a golf tournament to show that Budget Blinds was recognized as a sponsor. I have given this evidence no weight for two reasons. First, the display card was not evidence of use in association with the Applicants' wares or services and second, if it was recently used in 2006, it does not show use as of March 2003.

- (iv) Paragraph 32 of the Reynolds Affidavit exhibits a letter from the Better Business Bureau of April 20, 2004 which includes a note from a customer who was delighted with the Applicants' service in March of 2004 and described the corporate applicant as Budget Blinds. However, this single piece of evidence does not persuade me that the Applicants used that trade name in March of 2003.
- (v) Finally, the Reynolds Affidavit provides substantial evidence which shows that the Applicants are carrying on business using the trade names "Budget Blind Services" and "Budget Blind Cleaning" and were doing so on March 12, 2003. This persuasive evidence about the use of these names reinforces my conclusion that "Budget Blinds" was not in use. If it had been used, there would be comparable evidence of use.

[19] For these reasons, the first issue is narrowed to an assessment of whether on March 12, 2003, the Applicants' Names "Budget Blind Services" and "Budget Blind Cleaning" were confusing with the Respondent's Marks.

[20] Budget Blind Services and Budget Blind Cleaning are, in my view, weak names that have low inherent distinctiveness. Budget is a dictionary word and the words Blind Cleaning and Blind Services are descriptive.

[21] This conclusion is significant because small differences will serve to distinguish marks that have little or no inherent distinctiveness (see *Kellogg Salada Canada Inc. v. Maximum Nutrition Ltd.* (1992), 43 C.P.R. (3d) 349 at 359 (Fed. C.A.)). I have therefore concluded that the

Respondent's Marks differ from "Budget Blind Services" and "Budget Blinds Cleaning" in two significant respects. First, blinds is written in the plural and second the words "services" and "cleaning" do not appear.

[22] The Respondent also says that it and the Applicants are carrying on substantially different businesses because the Applicants are not selling blinds. Rather, they are primarily involved in the cleaning and repair of window blinds and other window coverings. The evidence in the Reynolds Affidavit is scant on this issue. It only shows that, in April 2000, one Hunter Douglas blind was purchased by Budget Blind Services and that, in December 1998, it sold three solar shades. This extremely small sales volume corresponds with the evidence in the Koltun Affidavit indicating that she was advised by "Lisa" at Budget Blind Services offices that it only sells blinds to customers who need them because their existing blinds are too damaged to be cleaned. While counsel for the Applicants acknowledged that sales were not a large part of his client's business, my conclusion is that any sales were an insignificant part of the Applicants' business.

[23] It is also noteworthy that the Koltun Affidavit says that between 1999 and 2006, Budget Blind Services and Budget Blind Cleaning never appeared in the yellow pages for the city of Surrey under the heading "Blinds – Retail". When they did appear, it was under the heading "Blinds – Cleaning and Repair". As well, the voicemail message on the Applicants' business phone in 2006 said that Budget Blind Services offered to repair blinds.

[24] In contrast, the business of the Respondent's franchisees is primarily the retail sale and installation of blinds and other window coverings. The Respondent's Marks are registered for services described as "Distributorship and retail stores services in the field of window coverings". No mention is made of cleaning and repair. However, there is one item of evidence to suggest that in 2001 franchisees might have expected to clean blinds. In one of many internet advertisements placed by the Respondent to attract prospective franchisees reference is made to the Respondent's "full repertoire of services including the sales, installation and cleaning of all types of window coverings". However, this single ad was placed in 2001 well before March 12, 2003 and was not directed to customers. In my view, the evidence shows that cleaning was an insignificant part of the Respondent's business.

[25] The Applicants provided no evidence about the nature of their business or how their business premises were used. However, The Koltun Affidavit shows that the Applicants' business address became Unit 3 – 19295 Enterprise Way in Surrey, B.C. in 2002 or 2003. In 2006, she saw Budget Blind Services signs in ground and second floor windows. The Koltun Affidavit also showed that no blinds were kept in stock and that customers who wanted cleaning services could drop off their blinds at the business address.

[26] What is in evidence, is the fact that the Respondent's franchisees travel to customers' homes to display, sell, measure and install window coverings. I assume that a prospective purchaser is not hurried when an appointment is made for a Respondent's representative to visit the purchaser's residence. The purchasers have time to consider what service is needed and ensure that the company

they contact is in a position to provide that service. It is clear, based on the evidence before me that the Applicants do not hold themselves out as window covering retailers. Accordingly, a purchaser who wanted to buy window coverings would have no reason to contact the Applicants. Nothing in their advertising, telephone listings or trade names which include the words services and cleaning suggests that they would sell blinds or other window coverings.

[27] In sum, I conclude that the Applicants have failed to meet their onus to show that the marks were confusing because:

- the words “cleaning” and “services” in the Applicants’ Names were sufficient to distinguish them from the Respondent’s Marks
- the parties were in different businesses albeit dealing with the same products. The Applicants cleaned and repaired blinds and the Respondents sold and installed them
- the Respondent’s franchisees carried on business in a manner that virtually eliminated any possibility of confusion

Issue 2 - Distinctiveness

[28] The Applicants also allege that the Respondent’s Marks were not registerable under paragraph 18(1(b) of the Act because they did not distinguish the services of Budget Blinds from those offered by the Applicants on May 2, 2006 when these expungement proceedings were commenced.

[29] Section 2 of the Act says that “distinctive” in relation to a trade-mark “...means a trade-mark that actually distinguishes the wares or services in association with which it is used by its owner from the wares or services of others or is adapted so as to distinguish them.”

[30] The Hallock Affidavit shows that advertising, using the Respondent’s Marks on FranchiseSolutions.com, produced four inquiries about franchises from potential franchisees in Ontario and Alberta as early as February and March 2000. This evidence shows that the Respondent’s Marks were being noticed by Canadians using the internet.

[31] The Respondent has also operated a website at www.budgetblinds.com since 1996. It advertises to both prospective franchisees and consumers. In 2004, the Respondent spent over \$1,000,000 in consumer-oriented internet keyword advertising involving search engines such as Google and Yahoo. While there is no concrete evidence of Canadian interest in the website or the keyword ads, it is reasonable to assume that some Canadians became aware of the site and the ads.

[32] By 2003, the Respondent was spending \$2,311,000 USD on print television and online advertising. That amount increased to \$7,300,000 USD in 2005 and was projected to reach \$7,700,000 in 2006.

[33] Since 2004, the Respondents have placed repeated consumer ads using the Respondent’s Marks in magazines with Canadian circulation such as Elle Décor, Home, Metropolitan Home,

Woman's Day, Country Home, Traditional Home, Family Circle, Country Living, House Beautiful, Good Housekeeping, Martha Stewart, House & Garden, Home Companion and Country Sample.

[34] By way of background it should be recalled that the Respondent filed for registration of the Respondent's Marks on March 12, 2003 on the basis of proposed use. Thereafter, in 2005, the Respondent decided to expand its franchising operations into Canada.

[35] The Respondent signed franchise agreements with Canadian Franchisees in 2005 and four of them (in Vernon, North Vancouver, British Columbia, Barrie/Orillia, Ontario and Edmonton, Alberta) on May 3, 2006.

[36] Canadian franchisees are licensed to use the Respondent's Marks and do so in their advertising and on their invoices. The Hallock Affidavit shows examples of such materials used by its franchisee in North and West Vancouver. This use included business cards, an April 2006 Yellow Pages ad and an invoice dated February 7, 2006.

[37] In my view, based on this evidence, distinctiveness has been demonstrated.

JUDGMENT

UPON reviewing the material filed;

AND UPON hearing the submissions of counsel for both parties in Vancouver on April 11, 2007.

THIS COURT ORDERS AND ADJUDGES that this application is hereby dismissed with costs in accordance with Tariff B of the *Federal Court Rules*, S.O.R./98-106.

“Sandra J. Simpson”

JUDGE

FEDERAL COURT
SOLICITORS OF RECORD

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STYLE OF CAUSE: Budget Blind Service Ltd. and Mark Reynolds v.
Budget Blinds, Inc.

PLACE OF HEARING: Vancouver, BC

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