

January 2018

## The Top 10 Trademark Cases of 2017

McMillan LLP's Intellectual Property group welcomes readers into 2018. Our gift is a "top 10 list" of trademark cases from Canadian case law from 2017.

### 1. *Google v. Equustek Solutions*, 2017 SCC 34

The first decision in this list only tangentially relates to trademarks, but its ramifications are so significant that it merits inclusion anyway.

Datalink was alleged to have rebranded one of Equustek's products and passed it off as its own. An injunction was granted in favour of Equustek. Datalink abandoned the proceedings and left the jurisdiction without complying with Court orders.

The issue before the Supreme Court of Canada was whether Equustek was entitled to an interlocutory injunction to enjoin Google from displaying any part of Datalink's websites on any of its search results worldwide. The order was originally granted by the Supreme Court of British Columbia. The British Columbia Court of Appeal upheld the order.

On appeal, Google raised arguments that: a) non-parties cannot be the subject of an interlocutory injunctions; and b) an interlocutory order could not be made with extraterritorial effect.

The Supreme Court of Canada rejected both arguments. It held that the website listings allowed harm to come to Equustek. The injunction was the only effective way to mitigate the harm to Equustek.

Now the question is whether other Courts will enforce the injunction. A U.S. district Court judge in California quashed an order enforcing the injunction there in November 2017.<sup>1</sup>

## 2. *Vancouver Community College v. Vancouver Career College*, 2017 BCCA 41

This British Columbia Court of Appeal decision considered whether the use of keywords in online advertising constitutes passing off.

The decision involved two post-secondary education institutions: the plaintiff, Vancouver Community College (a public institution) and the defendant Vancouver Career College (a private institution). The plaintiff, Vancouver Community College, asserted common law trademark rights in "VCC". The defendant, Vancouver Career College, used the domain name "VCCollege.com" for its website and purchased "VCC" as a keyword for the Google and Yahoo search engines.

Users who searched for "VCC" received a sponsored link to the defendant's website which displayed the domain name VCCollege.com. The defendant's website did not display "VCC". A user who clicked through to the defendant's site would likely realize that the website was that of the defendant and not the plaintiff. Nevertheless, the plaintiff alleged, *inter alia*, passing off of its common law trademark VCC and filed evidence of confusion by prospective students.

The Court of Appeal held that the proper time to assess confusion was when the "first impression" with the confusing mark was made, which was at the time the user encountered it in the sponsored link. Confusion was not measured at the time a user clicked through to the landing page from the link. The Appellate Court considered this to be consistent with past decisions of the Supreme Court of Canada<sup>2</sup>, in that confusion should be assessed on the moment of "first impression". As the misrepresentation occurred at the time that

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<sup>1</sup> *Google LLC v. Equustek Solutions Inc.*, 2017 WL 5000834.

<sup>2</sup> *Veuve Clicquot Ponsardin v. Boutique Cliquot Ltée*, 2006 SCC 23 and *Masterpiece Inc., v. Alavida Lifestyles Inc.*, 2011 SCC 27.

the user encountered the sponsored link, and there was no other content shown at that moment which distinguished the defendant's college from the college of the plaintiff, the passing off claim was successful.

Both levels of court agreed that the mere purchasing of a competitor's trademark as a keyword for advertising was not sufficient to constitute passing off as that step alone does not deliver a message to a consumer.

### *3. Venngo Inc. v. Concierge Connection Inc., 2017 FCA 96*

In this case, the Federal Court of Appeal underscored the limitations in adopting generic or descriptive terms in one's trademark. The plaintiff, Venngo, was the registered owner of a family of marks including "WORKPERKS" "MEMBERPERKS" and "ADPERKS". Around the same time, the defendant, CCI, had registered "PERKOPOLIS". The marks were registered to be used in association with discount benefits and incentive programs to Canadian organizations for their employees.

The Federal Court denied Venngo's claim that CCI had engaged in passing off, appropriation, confusion and depreciation of goodwill, largely because it found there was no confusion between the marks as both the plaintiff and the defendant had registered trademarks incorporating the generic term "perk".

The Federal Court of Appeal began its analysis with considering confusion. The Court of Appeal upheld the lower Court's conclusion that the marks were not confusing. The Court held that the term PERK was "highly suggestive" and thus not inherently distinct. This was true despite any possible acquired distinctiveness from the plaintiff's use of the term PERK in a generic manner in its own advertising and website materials.

The Court of Appeal also dismissed Venngo's argument that it was inconsistent to find the mark possessed goodwill but was not "distinct" when assessing confusion. This reasoning was rejected outright, with the Court of Appeal clarifying that goodwill is not

synonymous with acquired distinctiveness, and that while the latter is one of the many factors in the goodwill assessment, it is not equivalent or dispositive.

Lastly, the Court stressed that evidence of actual consumer confusion between the marks was not a “trump card” for a positive finding of confusion, and that a full analysis could lead to a finding of insufficient confusion for trademark infringement in spite of evidence of actual confusion.

#### *4. Sleep Country Canada Inc. v. Sears Canada Inc., 2017 FC 148*

This case is noteworthy as it resulted in a rare interlocutory injunction being granted against an allegedly confusing trademark.

Sleep Country has used the trademark “WHY BUY A MATTRESS ANYWHERE ELSE” since 1994. In July 2016, Sears began using the slogan “THERE IS NO REASON TO BUY A MATTRESS ANYWHERE ELSE”. While Sleep Country’s action for trademark infringement, depreciation of goodwill and passing off was proceeding, Sleep Country sought an interlocutory injunction against Sears’ use of the tagline.

A party seeking an interlocutory injunction must successfully establish the following three elements: (i) that a serious issue has been raised; (ii) that it will suffer irreparable harm if the injunction is not granted (i.e., harm which cannot be quantified); (iii) that the balance of convenience favours the party seeking the injunction. Of particular interest was the Court’s analysis relating to “irreparable harm”, after it found that the other elements of the test favoured Sleep Country, and that the marks were confusing.

To show “irreparable harm”, Sleep Country argued and led expert evidence that it would suffer harm in two ways: (i) lost sales would be impossible to identify or quantify; and (ii) harm would occur through depreciation of goodwill and loss of distinctiveness of its slogan, which is an intangible harm not capable of quantification.

Sleep Country led evidence that it had never been able to properly quantify the financial impact that its successful slogan had on the value of its brand; nor could it calculate the sales attributable to the success of its slogan. Further, it submitted in these circumstances, that relying on a disgorgement of profits was too speculative as Sears may not have profits resulting from its new marketing strategy and attributing profits to the use of the slogan would be problematic. In contrast, Sears argued that any damages suffered by Sleep Country, while perhaps difficult to quantify, were nevertheless quantifiable.

The Court opined that difficulty in calculating damages is not tantamount to irreparable harm; however, the Court also cited case law<sup>3</sup> indicating that damage to goodwill and loss of value of a mark is impossible to calculate monetarily when the use of a confusing mark results in the loss of distinctiveness of the plaintiff's mark. The Court was of the view that Sleep Country's evidence was more than a mere assertion that quantifying damages was impossible. Sleep Country was granted its injunction.

### *5. Group III International Ltd. v. Travelway Group International Ltd., 2017 FCA 215*

In this decision, the Federal Court of Appeal took the rare step of finding a palpable and overriding error in the lower Court's negative finding of confusion between two design marks.

In this case, the Canadian luggage company, Travelway, and a Swiss company, Wenger, both used similar registered design marks that adopted key elements of the Swiss flag in association with luggage and other travel accessories. Over time, the Travelway marks morphed to more closely resemble the Wenger design in various ways. Wenger brought an action for various types of relief for trademark infringement and passing off.

At the Federal Court, the marks were found *not* to be confusingly similar, in part because third party use of similar type "Swiss cross"

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<sup>3</sup> *Reckitt Benckiser LLC v Jamieson Laboratories Ltd.*, 2015 FC 215, var'd on other grounds 2015 FCA 104.

marks diluted the strength of the Wenger's mark due to its diminished distinctiveness.

Wenger was successful at the Federal Court of Appeal. The visual degree of resemblance between the marks suggested an identical idea of "Swiss-ness" which rendered them confusing. The actions for infringement and passing off were upheld. These holdings underscore that a trademark registration is not an *absolute* defence to infringement actions.

A permanent injunction granted was granted against Travelway and they were ordered to destroy or deliver up all wares, packages, labels and advertising materials marked with the Travelway trademarks. The Court of Appeal referred the issues of expungement of the defendant's registered trademarks and damages to the Federal Court.

#### 6. *U-haul International Inc. v. U Box It Inc.*, 2017 FCA 170

In this case, the addition of a "house mark" was successful in negating a likelihood confusion between marks that could otherwise have been found confusing.

U-Haul applied for trademarks for U-BOX and U-BOX U Haul for use in association with "moving and storage services, namely, rental moving, storage, delivery and pick up of portable storage units". The opponent held the registered mark U BOX IT for "garbage removal and waste management services".

The opposition was allowed. The Trademark Opposition Board ("Opposition Board") found that U-Haul had failed to prove that U-Haul's marks were not confusing with the opponent's registered U BOX IT mark. The Opposition Board found that while the services were not the same and the channels of trade were unlikely to overlap, the services were nevertheless complementary (e.g., a customer who is moving may require garbage removal services).

On appeal to the Federal Court, U-Haul submitted new evidence where it attempted to show that businesses do not advertise or

provide both garbage removal/waste management services and moving/storage services. U-Haul filed random samples from the Yellow Pages, sourced from a number of Canadian cities and regions, with dates ranging from 2008-2014. The Federal Court held that this new evidence did not affect the Opposition Board's finding and that its finding was reasonable.

On further appeal by U-Haul, the Federal Court of Appeal upheld the lower Court's decision; that the new evidence merely supplemented or confirmed the findings of the Opposition Board. The Court of Appeal also concluded that the Opposition Board's finding of confusion was reasonable, and that it was not appropriate to conduct a re-weighting exercise in this case.

### *7. United Airlines, Inc. v. Cooperstock, 2017 FC 616*

The status of trademark use for parody purposes was revisited in this infringement decision of the Federal Court. The plaintiff, United Airlines, brought an action against Jeremy Cooperstock for his website "www.untied.com". Untied.com was a parody of United Airline's website, "www.united.com" and largely mirrored several key elements of the website, including the adoption of a slightly modified version of United's registered trademarks (for example, by adding a sad face to United's globe design mark). Cooperstock's website was a consumer criticism forum where visitors could find information on, submit complaints about, and access a database of complaints on, United.

United claimed that Cooperstock had infringed United's trademarks by using confusingly similar marks pursuant to s. 20(1)(a) of the *Trademarks Act*.<sup>4</sup> To ground a claim of infringement, part of the Court's assessment required a positive determination of Cooperstock having "sold, distributed or advertised" services in association with the confusing mark. Cooperstock argued his service did not engage in any of these activities as no "commerce" was involved on his website.

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<sup>4</sup> *Trade-marks Act*, R.S.C., 1985, c. T-13.

The Court disagreed and clarified that a positive finding of sale, distribution or advertisement in association with services did not require evidence that there was an exchange of funds or some other “monetary element”. The provision of information for the benefit of the public itself satisfied this part of s. 20(1)(a).

Cooperstock was also found liable for passing off as the three required elements for this tort were met. The Court easily found that United had sufficient goodwill due to its extensive sales and significant advertising expenditures, thus fulfilling the first element. As to the second element, whether the misrepresentation had caused confusion, the Court noted that parody in itself was no defence to the tort of passing off if there is evidence of minimal consumer confusion.<sup>5</sup> Further, the defendant’s intention to engage in parody, as opposed to confuse, was an immaterial factor. With regards to whether sufficient damages had been proved, the third element, the Court concluded that while actual or potential damages cannot be presumed, the loss of control of a mark could constitute damages. For example, in this case, by having customers submit their complaint to “untied.com” as opposed to United, United was losing the opportunity to resolve the complaint and turn an unfavourable experience into a positive one.

### ***8. Mcdowell v. The Body Shop International PLC, 2017 FC 581***

This appeal of a decision of the Opposition Board concerned The Body Shop International Plc’s (“Body Shop”) registration of the trademark HONEYMANIA.

Heather Ruth McDowell owns two trademarks, HONEY and Honey & Design, for cosmetics and other products. She applied to the Opposition Board to oppose the Body Shop’s registration - but the opposition was rejected.

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<sup>5</sup> Source *Perrier S.A. v. Fira-Less Marketing Co.*, [1983] 2 F.C. 18, 70 C.P.R. (2d) at para 20; *Green v. Schwarz* (1986), 12 C.P.R. (3d) 84, 1 A.C.W.S. (3d) at para 4-5.

On appeal, the applicant was permitted to file evidence regarding her use of Honey at retail store locations, which had been lacking before the Opposition Board.

The Federal Court reviewed the casual consumer – an average person who goes into the market, not one skilled in semantics – considering the mark as a whole and as a matter of first impression. One particular finding was that HONEYMANIA suggested the idea of extreme desire or enthusiasm relating to or for HONEY. The core ideas suggested by the HONEY marks and the HONEYMANIA mark were similar.

The applicant established a likelihood of confusion between the HONEY marks and HONEYMANIA mark. The Federal Court allowed the appeal and directed the Registrar of Trademarks to refuse the registration of the trademarks.

### *9. Diageo Canada v. Heaven Hill Distilleries, 2017 FC 571*

The plaintiff, Diageo, brought an action against Heaven Hill alleging that the latter had infringed Diageo's trademarks associated with its Captain Morgan rum products and that they had passed off their Admiral Nelson products as those of Diageo's by using a similar trade dress. Diageo was seeking damages and injunctive relief.

Heaven Hill argued in part that provincial liquor organizations or private retail distributors were the ones selling the product, not Heaven Hill, and therefore they were precluded from liability for use of the mark in conjunction with a sale. This creative line of reasoning was rejected by the Court.

The Federal Court noted that one had to consider whether the goods in question bore the imputed trademark at the time of transfer of the property "in the normal course of trade".<sup>6</sup> Therefore, irrespective of the location of the sale of Admiral Nelson's rum products and regardless of where the contract of sale occurred, the evidence

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<sup>6</sup> *Diageo Canada v. Heaven Hill Distilleries*, 2017 FC 571 at para 53-54.

showed that Heaven Hill was selling and distributing its Admiral Nelson's rum products in Canada because there was evidence that Heaven Hill formed "part of the chain of distribution" of goods bearing the mark. Further, Heaven Hill's use of the mark in association with its services was established through its website for Admiral Nelson's rum products, which was accessible to Canadians, had a drop-down menu for Canada and adapted the drinking age requirement for Canadian visitors to the website.

On the allegation of passing off rooted in the similar trade dress of the products, part of the Court's assessment of misrepresentation through use of the confusing mark involved consideration of survey evidence submitted by Diageo. The Court reiterated that the rate of confusion previously found to be sufficient to establish a likelihood of confusion ranges from 4.8% to 13.5%. As the rate of confusion was at a minimum 16% in this case, confusion was established.

Diageo established damages by showing a potential loss of control over reputation, image and goodwill. For example, while there was no evidence of actual damages, the fact that Heaven Hill had a problem with the colour of the liquid inside some of its bottles meant that Diageo risked not being able to control its reputation should there be confusion over the source of the goods.

#### *10. Bugatti International S.A. v. Bugatti Hotels & Resorts Ltd., 2017 TMOB 60*

The lone Opposition Board decision on this list starts with the following paragraph: "Bugatti International S.A. is a car manufacturer of vehicles described as the fastest roadsters ever which sell for over \$2 million each." With a line like that, how could the decision not make the list?

Bugatti Hotels applied for the trademark BUGATTI for use in association with a range of hospitality and real estate services including hotel services in 2011. This was opposed by the Bugatti International, the car manufacturer.

Both Bugatti Hotels and Bugatti International initially filed evidence. Bugatti Hotels' affiants failed to attend for cross-examination and, as

a result, their evidence was struck. Bugatti International's evidence, which was accepted, showed evidence of bad faith on the part of Bugatti Hotels and raised doubt about whether it could have been satisfied that it was entitled to use the mark. The Opposition Board held that there was an inference that Bugatti Hotels was involved in trafficking domain names and that it was attempting to trade on the goodwill of Bugatti International.

The Opposition Board also held that Bugatti Hotels had failed to meet its burden of proving that the mark is distinctive or adapted to distinguish its services.

For trademarks related matters, contact the authors or Chairs of McMillan's trademarks practice, Sharon Groom and Peter Giddens.

by Sarah Kilpatrick, Adam Chisholm and Christie Bates

For more information on this topic, please contact:

Ottawa	<a href="#">Sarah Kilpatrick</a>	613.691.6126	<a href="mailto:sarah.kilpatrick@mcmillan.ca">sarah.kilpatrick@mcmillan.ca</a>
Toronto	<a href="#">Adam D.H. Chisholm</a>	416.307.4209	<a href="mailto:adam.chisholm@mcmillan.ca">adam.chisholm@mcmillan.ca</a>
Toronto	<a href="#">Christie Bates</a>	416.945.8001	<a href="mailto:christie.bates@mcmillan.ca">christie.bates@mcmillan.ca</a>

#### [a cautionary note](#)

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