

IP AND ADVERTISING: PROTECTING YOUR ORGANIZATION FROM LITIGATION

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1. Copyright and Trade-mark Basics

a) Copyright

i) *The Nature of Copyright*

Copyright in Canada is a right granted solely by statute. Section 3(1) of the *Copyright Act* provides in part that copyright means the sole right to produce, reproduce, perform or publish a work or any substantial part of the work.¹ The *Copyright Act* recognizes numerous types of “works” such as an “artistic work”, “dramatic work”, “literary work” or a “musical work”.

ii) *Ownership and Term of Copyright Protection*

In general, the author of a work is the first owner of the copyright in that work.² In the case of an employee authoring a work within the scope of employment, it is the employer who is the first owner of the copyright.³ Generally, a copyright lasts for the life of the author plus 50 years.⁴

iii) *Infringement of Copyright*

It is generally an infringement of a copyright to do anything that the *Copyright Act* provides the owner of the copyright with the sole right to do.⁵ In other words, without consent of the owner, a person who does not own the copyright in a work cannot, for example, produce or reproduce the work.

However, there are exceptions to the general infringement rule. Conduct that has no material adverse commercial impact on the copyright holder may be permitted under one of three fair dealing exceptions. For example, fair dealing for the purpose of research or private study does not infringe copyright.⁶ Furthermore, fair dealing for the purpose of criticism or review does not infringe copyright provided proper credit is given to the source.⁷

Note that unlike in the United States, Canada does not provide a copyright exception for parody. In the famous Michelin Man case,⁸ in which the CAW handed out leaflets showing the Michelin Man

¹ *Copyright Act*, s. 3(1).

² *Copyright Act*, s. 13(1).

³ *Copyright Act*, s. 13(2).

⁴ *Copyright Act*, s. 6.

⁵ *Copyright Act*, s. 27(1).

⁶ *Copyright Act*, s. 29.

⁷ *Copyright Act*, s. 29.1.

⁸ *Compagnie General des Etablissement Michelin-Michelin & Cie v. CAW Canada*, [1997] 2 F.C. 306.

stomping on workers, the Federal Court held that criticism was not synonymous with parody and that parody was not an exception to acts of copyright infringement.

b) Trade-mark

i) The Nature of a Trade-mark

A trade-mark is a word, symbol, design, or combination of these, used to distinguish the products or services of one person or organization from those of others in the market place. Three basic categories of trade-marks are: (i) ordinary marks, (ii) certification marks, and (iii) a distinguishing guise.⁹

Ordinary marks are words or symbols that distinguish the products or services of a specific firm or individual. Certification marks identify that a product or service meets a set of defined standards. A distinguishing guise identifies a unique shape of a product or its package.

Coca-Cola Ltd., for example, uses all three types of trade-marks for its products. The familiar Coca-Cola ordinary mark distinguishes its products from the products and services of others. The PAREVE MK certification mark identifies the Coca-Cola product as kosher. Finally, the distinguishing guise of the curvy Coke bottle is unique to Coke products and helps distinguish its products from other products.

ii) Making a Strong Mark

The purpose of a trade-mark is to distinguish the products and services provided by one person or organization from the products and services of others. An essential characteristic of a trade-mark is its distinctiveness. The more distinctive a trade-mark, the easier it is to distinguish that product or service from others. In addition, as distinctiveness increases, the protection afforded to the trade-mark increases.

iii) Scope of a Trade-mark

Trade-mark rights arise both at common law and under the *Trade-marks Act*. At common law, the rights of a trade-mark holder are limited to the geographic area in Canada where the trade-mark is used or made known. In contrast, a trade-mark registered under the *Trade-marks Act* is effective across Canada even if the mark's use is limited to a small geographic area. As such, registration under the *Trade-marks Act* provides superior protection for the owner of a trade-mark.

Registering a trade-mark under the *Trade-marks Act* requires an application to be made to the Trade-marks Office of the Canadian Intellectual Property Office. The application may be made by either the applicant or by a trade-mark agent on behalf of the applicant. Once registered, the registration is effective for a term of fifteen years. This term may be extended indefinitely for further fifteen-year terms upon payment of renewal fees.

⁹ *Trade-marks Act*, s. 2, "trade-mark".

iv) Entitlements of Trade-mark Holder

Registration of a trade-mark respecting any products or services provides the trade-mark owner with three basic rights. First, the trade-mark owner has the exclusive right to use the trade-mark throughout Canada in relation to those products or services. Second, the trade-mark owner is entitled not to have someone else use a confusingly similar trade-mark in selling, distributing, or advertising other products or services. The use of a trade-mark or trade-name is confusing with another trade-mark if concurrent use would likely lead to interference with the manufacture, sale, lease, hire, or performance of the products or services, regardless of whether the products or services are of the same general class.¹⁰ Third, a registered trade-mark owner is entitled to be free from having another person use the trade-mark in a manner that is likely to have the effect of depreciating the value of the goodwill attached to the trade-mark.¹¹

2. Canadian Jurisprudence Update

a) Copyright

Very few significant decisions were handed down this past year in the Canadian world of copyright. However, the advertising and marketing community should certainly take note of the Supreme Court of Canada's decision in *Euro-Excellence Inc. v. Kraft Canada Inc.*¹² That case dealt with the sale of grey market Toblerone bars in Canada. Euro-Excellence was making legitimate purchases of the famous triangular bars overseas, then distributing the product in Canada. All the while, Kraft Canada had an exclusive license from Kraft Foods Schweiz AG, the registered copyright holder in Canada of the Toblerone logo, to distribute the chocolate bars in Canada with wrappers having the logo. Kraft Canada sued Euro-Excellence in an attempt to prohibit the unlicensed Canadian distribution of the chocolate bars with the accompanying copyright protected wrapper.

The majority opinion of the Supreme Court of Canada explained that under s. 27(2) of the *Copyright Act*, importation for distribution of a copyright protected work is only a problem if the copy of the work would have infringed copyright had it been made in Canada. In this case, Kraft Foods Schweiz AG produced the copy of the work. As owner of the copyright for the work in Canada, though they would have been infringing the exclusive license agreement with Kraft Foods Canada had they made the copy in Canada, they would not have been infringing copyright. As a result, the importation of copies of the work, protected by copyright in Canada, was not offside and no order was issued against Euro-Excellence.

b) Trade-mark

As compared to jurisprudence in the area of copyright, recent jurisprudence in the area of trade-mark law has provided more cases relevant to advertising and marketing.

¹⁰ *Trade-mark Act*, s. 6.

¹¹ *Trade-mark Act*, s. 22(1).

¹² (2007), 282 D.L.R. (4th) 577 (S.C.C.).

In *Veuve Clicquot Ponsardin v. Boutique Clicquot Ltee*¹³ the famous Champagne maker sought to have a women's wear shop stop using the trade-name Clicquot and to have the trade-mark used by the store expunged from the Register. Veuve Clicquot argued on two grounds. First, it claimed that consumers would be confused to the point of thinking that the women's clothing and the champagne originated from the same source, thus infringing their mark as prohibited by section 20 of the *Trade-marks Act*. Second, they claimed that the use of the mark by the store was likely to have the effect of depreciating the value of the goodwill attached to the champagne, contrary to section 22(1).

Section 6 of the *Act* provides guidance for a court to determine whether one mark is confusingly similar to another. A court is required to consider all the surrounding circumstances which include the fame of a mark. The Court agreed that the Veuve Clicquot mark was indeed famous, but that this did not, by itself, provide absolute protection for its trade-mark. Rather, having regard to all the surrounding circumstances, there was no likelihood of confusion between the two marks in the relevant markets. Therefore, the clothing store was not infringing the mark of Veuve Clicquot contrary to section 20.

With respect to the section 22 depreciation claim, the Court explained that Veuve Clicquot had to show that the store made use of marks sufficiently similar to Veuve Clicquot to evoke a mental association of the two marks that would likely depreciate the value of the goodwill attached to Veuve Clicquot' mark. To determine the existence of goodwill capable of causing depreciation, a court has to consider the degree of recognition of the mark within the relevant universe of consumers, the volume of sales and the depth of market penetration of products associated with the claimant's mark, the extent and duration of advertising and publicity accorded the claimant's mark, the geographic reach, inherent or acquired distinctiveness, the channels of trade occupied by the claimant's product and the extent to which the mark is identified with a particular quality. The Supreme Court of Canada considered these factors, and agreed with the trial judge that there was no evidence to support the claim for depreciation.

In *Mattel, Inc. v. 3894207 Canada Inc.*,¹⁴ Mattel tried to block the registration of a "Barbie's" trade-mark associated with a restaurant arguing that it was confusing with its mark such that it should not be registrable pursuant to section 12(1)(d). The Supreme Court of Canada noted that under subsection 6(2), confusion arises if it is likely that the hypothetical purchaser – the casual consumer somewhat in a hurry – would be led to believe that the wares or services associated with those trade-marks were manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services were of the same general class.

Though the Court ruled that there need not be any resemblance or linkage between the wares in question, and the wares for which registration of a trade-mark is sought, in this case there was no evidence that Mattel's Barbie mark had any connection to the relevant markets using the Barbie mark for restaurant services. As a result, the court found no reasonable basis on which a casual consumer somewhat in a hurry would be likely to draw the mistaken inference. Consequently, the restaurant's registration of their "Barbie's" mark was not blocked.

In *BMW Canada Inc. v. Nissan Canada Inc.*,¹⁵ Nissan appealed a Federal Court ruling finding it liable for passing off under section 7(b) of the *Trade-marks Act*. Nissan was using the unregistered

¹³ [2006] 1 S.C.R. 824.

¹⁴ [2006] 1 S.C.R. 772.

¹⁵ (2007), 60 C.P.R. (4th) 181 (F.C.A.).

marks, “M” and “M6”. At the same time, those two marks were the subject of applications for registration by BMW.

The Federal Court of Appeal noted that the statutory action for passing off is similar to the common law tort of passing off, except that the plaintiff must prove possession of a valid and enforceable trade-mark before having resort to the statutory claim. A valid and enforceable trade-mark, in turn, requires that a mark be used by a person to distinguish his or her wares or services from those of another. In this case, the judge hearing the appeal found no evidence of use of the “M” mark by BMW. Therefore, he ruled that the trial judge erred in law in pursuing a paragraph 7(b) analysis without first establishing the existence of the “M” and “M6” marks as trade-marks.

Furthermore, even if the appeals Court had found that BMW had a valid trade-mark, the judge explained that the third element in a passing off claim; namely actual or potential damage to the plaintiff, was not made out. This was a surprising decision, as earlier jurisprudence had shown that once the first two elements in a claim for passing off were found, damages were presumed and had to be assessed as best as possible.

A recent decision of the Federal Court of Appeal highlights the added protections that come with a famous mark. In *Remo Imports Ltd. v. Jaguar Cars Limited*,¹⁶ Remo appealed a decision to have its trade-mark, JAGUAR, associated with tote bags and baggage expunged on the basis that it was confusing with Jaguar Cars’ famous JAGUAR trade-mark, and that it depreciated the value of the goodwill of the famous trade-mark.

With respect to the first ground of invalidity, that the mark for the baggage was confusing with the mark for automobiles, the appeals judge noted that the mere possibility of confusion is not sufficient to invalidate a trade mark.¹⁷ Instead, pursuant to section 6 of the *Trade-mark Act*, the use of a trade-mark causes confusion with another mark if the use of both marks in the same area would likely lead to the inference that the products associated with the marks were made by the same person, whether or not the products were of the same general class. The Court confirmed that the inference that two products were made by the same person is more likely when one of the marks achieves the status of being famous. This follows from one of the criteria the court must consider when determining whether trade-marks are confusing; namely, the extent to which the trade-mark has become known.¹⁸ This ground of appeal was therefore unsuccessful and Remo’s mark was still ordered to be expunged.

With respect to the second ground of invalidity, that the mark used by Remo depreciated the value of the goodwill of Jaguar Cars’ mark, the Court of Appeal noted that this was not a ground on which a registration could be found to be invalid. Subsection 22(1) provides the avenue for a separate remedy of damages and is not a ground on which one can invalidate the registration of a trade-mark.

c) Domain Names

The Canadian Internet Registration Authority (“CIRA”) resolves disputes concerning websites with domain names ending in “.ca”. All disputes are resolved in accordance with CIRA’s Domain Name Dispute Resolution Policy (“the Policy”).

¹⁶ 2007 F.C.A. 258.

¹⁷ *Ibid.* at para. 38.

¹⁸ *Trade-mark Act*, s. 6(5)(a).

CIRA recently heard a complaint of Yellow Pages Group Co. (“Yellow Pages”) which requested that the current registration of the domain name yellowpage.ca be transferred to it. The company owned the Canadian registered trade-mark YELLOW PAGES and the registered trade-mark YELLOWPAGES.CA. The registered holder of the domain name yellowpage.ca was a company called Coolfred Co.

According to the Policy, Yellow Pages had to prove that Coolfred’s domain name was confusingly similar to a mark in which Yellow Pages had rights prior to the registration of the domain name. This, of course, was not a problem given the registration of YELLOWPAGES.CA. However, Yellow Pages also had to prove that Coolfred’s had registered its domain name in bad faith.

Bad faith is described in paragraph 3.7 of the policy as either acquiring the domain name exclusively for the purpose of selling it, registering the domain name solely so as to block the registration of the Complainant’s mark, or finally registering the domain name so as to disrupt the business of the Complainant who is a competitor. Yellow Pages had no evidence to prove any of these grounds, and therefore failed to have the domain name transferred. This case highlights the difficulty in preventing the registration of domain names when the addresses are not identical to an existing registered trade-mark.

3. Best Practices for Success in Applying IP Protections to Advertising Campaigns

a) Choosing a Strong Trade-mark

As mentioned above, the purpose of a trade-mark is to distinguish the products and services provided by one person or organization from the products and services of others. Three key factors that influence the distinctiveness of a trade-mark are:

i) the inherent distinctiveness of the trade-mark;

Generally, inherently distinctive trade-marks bear little correlation to the products and services they are associated with. The more remote the correlation the more distinctive the trade-mark. For example, the trade-mark PENGUIN and the penguin logo bears little correlation to the books the mark is associated with and as such serves as a strong trade-mark for the products. Even more distinctive is a trade-mark that is completely novel and cannot be related to any existing idea or thing. Examples of completely novel trade-marks are XEROX and KODAK.

ii) the use of the trade-mark by others,

Trade-marks that contain words that are commonly used by others to distinguish or describe their products or services have a low degree of inherent distinctiveness. For example, numerous product and service providers use the words “Maple Leaf” in their trade-marks. This common usage detracts from the distinctive nature of the trade-mark.

iii) and the use and advertisement of the trade-mark.

Trade-marks that are not inherently distinctive can acquire distinctiveness through careful use and extensive advertising. For example, in the markets that the TORONTO MAPLE LEAFS and MAPLE LEAF FOODS trade-marks are used, few people would have problems distinguishing the two and associating the trade-mark with the products and services it represents.

b) Protecting a Brand

i) Protection Under the Trade-marks Act

Quite apart from protection granted by the *Trade-marks Act* and the common law to trade-mark holders, the *Trade-marks Act* also provides some basic protections from unfair competition for all businesses. The *Act* specifically provides that no person can make false statements which discredit the business or products of a competitor, nor can a person advertise his or her own products in a way that would cause confusion between his or her product and the product of another. Furthermore, one cannot pass off a product for another that was specifically ordered or requested by a customer.¹⁹

As explained above, trade-mark rights arise in varying degrees, both at common law and under the *Trade-marks Act*. Protection under the *Act* is enhanced, however, when a trade-mark is registered. But registering a trade-mark alone is not sufficient to protect a trade-mark. Protection also requires the trade-mark owner to enforce the rights associated with the trade-mark. There are several forms of relief available when trade-mark rights are infringed, including an injunction (such as a court order requiring the infringing party to stop infringing the trade-mark), recovery of damages or profits, destruction of the products or labels bearing the offending mark, and exportation or other disposition of the offending products.

In addition to being vigilant over the activities of others, trade-mark owners must also be vigilant over their own activity in order to protect their trade-marks. A registration can be invalidated if a trade-mark is abandoned. Abandonment occurs when the mark is not used in Canada. Also, a registration can be invalidated if a trade-mark loses its distinctiveness. This occurs when a trade-mark becomes generic in the eyes of the public as opposed to indicative of the source of the product or service. For example, “escalator” and “linoleum” have become generic terms and consequently have lost their status as trade-marks. The owners of the “Xerox” and “Kleenex” trade-marks have worked very hard to maintain the distinctive character of the marks so that the marks are not considered generic terms to describe photocopying and facial tissue, respectively.

ii) The Common Law Tort of Passing Off

The common law tort of passing off basically provides that no person shall “pass off” its products as those of another. The English House of Lords espoused a three part test for passing off in *Reckitt & Colman Products Ltd. v. Borden Inc.*²⁰ In order to succeed, the plaintiff must first establish that there was goodwill or reputation attached to the goods he supplied, in the mind of the purchasing public. Second, the plaintiff must show that the defendant misrepresented the public, leading or likely leading the public to believe that the goods offered by the defendant were the goods of the plaintiff. Finally, the plaintiff must prove loss or the potential for loss as a result of the misrepresentation.

¹⁹ *Trade-mark Act*, s. 7.

²⁰ [1990] 1 W.L.R. 491 (H.L.).

This three part test from *Reckitt* of (1) existence of goodwill, (2) deception of the public due to misrepresentation and (3) actual or potential damage to the plaintiff, was adopted by the Supreme Court of Canada in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*²¹ In that case the plaintiff, a brand name drug manufacturer, sought to prevent its generic drug competitors from making certain drugs with capsules of a particular shape and colour.

To prove the existence of goodwill, the plaintiff has to show that his product has acquired a secondary meaning.²² The get-up of the product has to be such that consumers have come to regard products with such a get-up as coming from one source.²³

The misrepresentation which deceives the public can come in two flavours. First, the defendant might represent that his product is the product of the defendant.²⁴ Second, the defendant might make a representation that the goods of the defendant are connected to the goods of the plaintiff such that people are led to accept the goods of the defendant on the faith of the plaintiff's reputation.²⁵

With respect to the damages requirement, in *National Process Equipment Inc. v. Sigurdson*²⁶ the court ruled that "once passing off is found, damages are presumed and must be assessed as best as possible."²⁷ However, this view has recently come into question. As mentioned above, in *Remo Imports Ltd. v. Jaguar Cars Limited*,²⁸ the court explained in its *dictum* that the plaintiff must prove damages or the potential for damages.

4. Personality Rights and Misappropriation of Personality

Personality rights and the protections those rights are afforded, are less well defined in Canada than the rights associated with trade-mark or copyright. It is difficult to protect those rights through claims of passing off. To do so requires proof that a defendant misrepresented an association between their product and a plaintiff's personality. It is difficult to show that that is the case when only the image of a person is used in association with a product.

Some Ontario courts have explained that tort principles do allow for a tort of misappropriation of personality.²⁹ However, in order to ground an action in misappropriation of personality, the advertisement must clearly identify the plaintiff, the plaintiff must clearly have been "used" to advertise, there must be damage or unjust enrichment, and no public interest reason to prevent the action from succeeding.³⁰

²¹ [1992] 3 S.C.R. 120.

²² *Ibid.* at 133.

²³ *Oxford Pendalex Canada Ltd. v. Korr Marketing Ltd.*, [1982] 1 S.C.R. 494 at 502.

²⁴ *Ibid.*

²⁵ *Ibid.*

²⁶ [2004] A.J. No. 864.

²⁷ *Ibid.* at para. 58.

²⁸ *Supra* note 16.

²⁹ *Krouse v. Chrysler Canada Ltd.* (1973), 40 D.L.R. (3d) 15 (ON CA).

³⁰ *Athans v. Canadian Adventure Camps Ltd.* (1977), 80 D.L.R. (3d) 583 (ON HCJ).

5. Conclusion

Intellectual property law, particularly the law of copyright and trade-mark, restricts the free use of works and marks respectively. This in turn limits the scope of material available to the advertising and marketing community. There are ample remedies available, both at common law and through statutes, to those whose intellectual property rights have been infringed.

Recent jurisprudence demonstrates some of the difficulties in enforcing these rights. However, the case law also shows that, for example, free riding on the strength of the mark of another is unacceptable.

Especially in the area of trade-mark law, mark owners can bolster their chances of defending a mark successfully if strong marks are chosen from the outset. Furthermore, advertisers and marketers can take comfort in the fact that trade-marks in Canada are subject to a use it or lose it policy.

Sources Relied Upon

Tab	Case
1.	<i>Athans v. Canadian Adventure Camps Ltd.</i> (1977), 80 D.L.R. (3d) 583 (O.N. H.C.J.).
2.	<i>BMW Canada Inc. v. Nissan Canada Inc.</i> (2007), 60 C.P.R. (4th) 181 (F.C.A.).
3.	<i>Ciba-Geigy Canada Ltd. v. Apotex Inc.</i> , [1992] 3 S.C.R. 120.
4.	<i>Compagnie General des Establissement Michelin-Michelin & Cie v. CAW Canada</i> , [1997] 2 F.C. 306.
5.	<i>Euro-Excellence Inc. v. Kraft Canada Inc.</i> (2007), 282 D.L.R. (4th) 577 (S.C.C.).
6.	<i>Krouse v. Chrysler Canada Ltd.</i> (1973), 40 D.L.R. (3d) 15 (O.N. C.A.).
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8.	<i>National Process Equipment Inc. v. Sigurdson</i> , [2004] A.J. No. 864.
9.	<i>Oxford Pendalex Canada Ltd. v. Korr Marketing Ltd.</i> , [1982] 1 S.C.R. 494 at 502.
10.	<i>Reckitt & Colman Products Ltd. v. Borden Inc.</i> , [1990] 1 W.L.R. 491 (H.L.).
11.	<i>Remo Imports Ltd. v. Jaguar Cars Limited</i> , 2007 F.C.A. 258.
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