McMillan Binch LLP

Trade-Marks Issues in Advertising

by Sharon E. Groom

Prepared for The Canadian Institute Advertising & Marketing Law Conference 2004

TRADE-MARKS ISSUES IN ADVERTISING

Sharon E.Groom

Partner

McMillan Binch LLP

Sharon Groom is an Intellectual Property lawyer at McMillan Binch LLP and is Co-Chair of the Marketing and Advertising Group. She wishes to acknowledge the invaluable assistance of Julie Beeton, Associate in the Corporate Commercial group, and Kate Krestow, Articling Student, in the preparation of this paper and the presentation.

MCMILLAN BINCH LLP

TRADE-MARK ISSUES IN ADVERTISING

INTRODUCTION

Trade-marks are one of the most powerful marketing tools for any business. Consumers use trade-marks to identify product quality and the manufacturer. Trade-marks are also used by the advertisers to build goodwill and encourage brand recognition.

Considering the creative and ever-changing nature of the industry, there are numerous ways in which a trade-mark may be used in an advertising or marketing campaign. Some of the increasingly popular campaigns include cross-promotion or co-branding, comparative advertising and ambush marketing. The following is a discussion of some of the intellectual property concerns involved in these advertising campaigns.

CO-PROMOTING AND CO-BRANDING

It is becoming more common for trade-mark owners to join forces to promote their wares and services and potentially reach a new market or revitalize a brand. Recently, Kraft Canada Inc. ran a back-to-school promotion that entitled those purchasing a box of *Kraft Dinner* to win *Crayola* products. The purchaser was asked to locate a code number inside the box of *Kraft Dinner* and then log on to the website *ytv.com*. After the purchaser correctly answered a skill-testing question, the purchaser would be mailed a selection of *Crayola* products.

The arrangement between Kraft Canada Inc., Binney & Smith Inc. (maker of *Crayola* products) and Corus Entertainment Inc. (owner of the children's TV channel *YTV*) is an example of cross-promotional advertising. These campaigns are generally short-term but may involve several different promotions. There are numerous examples of cross-promoting, including:

- the *CTV* and *Subway* campaign "What would you do to be a SUBWAY STAR?" encouraged contestants to show off their hidden talent or zany stunt on television and be featured in a *Subway* advertisement.

- Roots Canada Ltd. and Volkswagen Canada Inc. joined together in a cross promotion that offered a $500 gift certificate at *Roots* retail stores when purchasers bought a *Volkswagen* car. The two companies combined their trade-marks for some of the advertisements by removing the beaver from the *Roots* logo and adding a *Volkswagen* "bug".

- the Kellogg Company and American Airlines, Inc. campaign that allowed purchasers of specially marked boxes of *Kellogg's* cereal a chance to win a trip via *American Airlines* to one of 'America's Greatest Cities'.

- Sting aligned himself with Ford Motor Company in a major advertising campaign involving Sting's music video "Desert Rose". In the video, Sting is in a *Jaguar* sports car and Ford later aired this video as a TV commercial. The commercial served as an ad for both the car and Sting's latest album.

- Hershey Foods Corporation has a licensing agreement with the fashion designer Cynthia Rowley. Rowley's spring 2004 collection is inspired by some of Hershey Foods' most well-known brands including the *Hershey's Kisses*.

Co-branding usually involves a product or service that carries more than one company's mark. These relationships tend to be more long-term, involve the licensing of trade-marks and are generally exclusive. The following are examples of some co-branding relationships:

- American Express Company and American Airlines have co-branded a credit card called the *American Express Business ExtrAA* corporate card offering corporate customers rebates for purchases made with the credit card valid on American Airlines travel. The card bears the *American Express* registered trade-mark owned by American Express Company as well as the mark *Business ExtrAA* owned by American Airlines.

- Sprint PCS formed a co-branding relationship with Sony. Sprint PCS combined their brand awareness as a quality network with Sony's brand awareness as a high-quality electronic product manufacturer to create a PCS wireless Sony phone distributed by Sprint.

- Disney Enterprises, Inc. and Kellogg Company have joined forces to create a *Kellogg's* brand cereal called *Mickey's Magix*. Disney owns the name of the cereal and pictures of *Mickey Mouse* appear on the box, but the cereal is also branded *Kellogg's*.

Due to the fragile nature of trade-marks, these co-operative business ventures raise a number of legal concerns. Trade-marks must be protected even more fiercely when they are being used by another company and when they are being used closely with another trade-mark. Trade-mark owners require a comprehensive agreement to protect their goodwill and brand recognition.

CO-BRANDING AND CROSS-PROMOTING ISSUES

1. Protecting your brand in a co-branding or cross-promotional relationship

After deciding to enter into a co-branding or cross-promotional advertising campaign, trade-mark owners should have an agreement to protect their interests and intellectual property. To assure the necessary protection, a co-branding or cross-promotional relationship should use an agreement that addresses at least the following issues: distinctiveness, new intellectual property, liability, exclusivity and confidentiality.

(a) Distinctiveness

A trade-mark must distinguish a company's products or services from the products or services of another company or it is not functioning as a trade-mark[1]. In cross-promotional advertising campaigns, trade-mark owners must maintain this distinctiveness and send out a clear message that their wares and goods are still "manufactured, sold, leased, hired or performed by the same person"[2].

Before entering into a cross-promotion or co-branding campaign, a trade-mark owner should consider the similarity of the trade-marks or more specifically, the wares or services offered by the trade-mark owners. The wares or services should be complementary but not identical or closely related. For example, Roots and Volkswagen both may appeal to a youthful, image-conscious market however, there is no threat of confusing the companies' products or services. A decision by Roots to co-brand or cross-promote with other retail clothing stores might not have the same effect. This kind of campaign might confuse consumers and risk the distinctiveness of the *Roots* trade-mark.

Generally, a cross-promotional or co-branding campaign will involve one company licensing the use of its trade-mark to another. Traditionally, licensing of a trade-mark was considered to impair its distinctiveness and prior to 1954 was prohibited altogether. The reasoning was that it would be confusing to allow another company to create a separate brand identity attached to the same trade-mark. In 1954 a rather onerous registered user system was put in place but in 1993, the legislation was amended to allow for the more flexible concept of "controlled licensing". Section 50(1) of the *Trade-marks Act* was replaced with the following provision:

> 50(1) For the purposes of this Act, if an entity is licensed by or with the authority of the owner of a trade-mark to use the trade-mark in a country and the owner has, under the licence, direct or indirect control of the character or quality of the wares or services, then the use, advertisement or display of the trade-mark in that country as or in a trade-mark, trade-name or otherwise by that entity has, and *is deemed always to have had, the same effect as such a use, advertisement or display of the trade-mark in that country by the owner*. [emphasis added]

Therefore, the owner of a trade-mark may allow another person to use its trade-mark without jeopardizing the trade-mark's distinctiveness as long as the owner directly or indirectly controls the character or quality of the wares or services.

---

[1] See the definition of "distinctive" in section 2 of the *Trade-marks Act.*

[2] David Vaver, *Intellectual Property Law: Copyright, Patents, Trade-marks* (Toronto: Irwin Law, 1997) at 220.

A trade-mark owner must still be conscious of a trade-mark's distinctiveness even if a licensing agreement exists; a licensor must continue to exert control over its trade-mark.[3] In *Unitel Communications Inc.* v. *Bell Canada*,[4] Bell Canada's registration of "Calling Card", "Wats" and "900 Service" were expunged because the trade-marks lacked distinctiveness. Bell Canada was lax in its management and policing of the trade-marks and consequently the court held that Bell Canada had not exercised the requisite control.

The Canadian Intellectual Property Office ("CIPO") usually becomes involved in this issue when a company commences an action under section 45 of the *Trade-marks Act* alleging that a trade-mark owner is not using its registered trade-mark and the mark should therefore be expunged from the register. Often a registered owner will attempt to overcome such an action by pointing to use by a licensee. Such use will enure to the benefit of the registered owner as set out in section 50(1) of the *Trade-marks Act* as long as the licensor can demonstrate that it has exercised control over the character and quality of the wares/services being used by the licensee in association with the mark. In this regard CIPO, and the courts, do not merely accept the terms of a license agreement giving the licensor the right to exercise such control, but look for actual proof that such control was indeed exercised. They may require explicit details of the steps taken by the trade-mark owner in controlling the character and quality of the wares and services. In addition, it has been held that a mere business relationship is not sufficient to prove direct or indirect control of the character or quality of wares and services. For example, if a subsidiary is using a mark, the parent must assert evidence of a licence or the requisite control required by a registered owner. Evidence of a parent-subsidiary relationship[5] or a franchisor-franchisee relationship[6] is in itself insufficient to meet the requirements of direct or indirect control.

In addition, section 50(2) of the *Trade-marks Act* provides a safeguard that licensors can use to bolster their argument that there has been adequate control of the character and quality of the wares and services. The section states:

> 50(2) For the purposes of this Act, to the extent that public notice is given of the fact that the use of a trade-mark is a licensed use and of the identity of the owner, it shall be presumed, unless the contrary is proven, that the use is licensed by the owner of the trade-mark and the character or quality of the wares or services is under the control of the owner.

---

[3] There is debate as to whether a trade-mark owner can illustrate to the public that there is a single source of control of the character and quality of goods when the trade-mark has been licensed for use by another party. It is also unclear whether public knowledge is required to fulfil the control requirement. Please see Warren Sprigings, "Trade-marks: Control Them or Lose Them," *Canadian Intellectual Property Review*, Vol. 16 (1999-2000) at 75-83.

[4] 61 C.P.R. (3d) 12 (Fd.Ct)

[5] *Malcolm Johnston & Associates* v. *A. & A. Jewellers Ltd.* (1997), 78 C.P.R. (3d) 527 (Hearing Officer, C.J. Campbell) and *Novopharm Ltd.* v. *Hoechst Aktiengesellschaft* (1997), 76 C.P.R. (3d) 257 (T.M.O.B)

[6] *Realestate World Services (1978) Ltd.* v. *Firstline Trust Co.* (1997), 77 C.P.R. (3d) 406 (T.M.O.B.)

This clause was used to great effect in *Consumer Electronics Corp. v. Radio Shack Division of Tandy Corp.*[7]. In this case Consumer Electronics had commenced an action under section 45 of the *Trade-marks Act* requesting that Radio Shack prove that the trade-mark NOVA was still in use. Radio Shack was unable to demonstrate any use of the mark itself, but did point to use by a licensee. However, as there was no evidence that Radio Shack had exercised any control over the character and quality of the wares sold by the licensee the Hearing Officer found that the licensee's use did not satisfy the provisions of section 50(1). The mark would have been expunged but for the fact that Radio Shack was able to show that the licensee included the following trade-mark notice on the instruction and warranty leaflet attached as part of the product:

> Registered Trademark Licensed by Radio Shack Division of Tandy Corporation (USA).

Despite the fact that the trade-mark notice did not refer to the actual trade-mark, the Hearing Officer found that this notice was sufficient to satisfy the provisions of section 50(2) and therefore the use by the licensee of the mark NOVA was deemed to be use by the registered owner and the registration was maintained.

(b) New Intellectual Property

The co-branding or cross-promoting agreement should address the ownership of new intellectual property. The new intellectual property could include such things as a new brand, an extension of a brand, the copyright in a new website, or the copyright in the advertisements themselves.

The parties involved in a co-branded advertising campaign may create a new trade-mark to promote their products or services. In the Kellogg co-branding relationship with Disney mentioned previously, the parties agreed that the new trade-mark *Mickey's Magi*x would be owned by Disney and Disney applied to CIPO for registration. As it may be difficult to determine who should have rights to a new mark merely from how it is used, it is wise to address this issue at the beginning of the campaign.

In some cases the parties may create a new mark (sometimes not intentionally) that is an amalgamation of each of their marks and in this case it can be difficult to determine which party should have the rights to the new composite mark. This practice of merging marks is not encouraged in any event as, apart from the disputes that may arise over ownership, the use of the new mark may have the effect of decreasing the distinctiveness of the two original marks.

Parties should also think about the nature of the products and services in association with which their marks may be used when entering into co-branding campaigns and update any trade-mark registrations accordingly. For instance, there is a *Scooby-Doo* cereal being marketed by Kellogg which is a co-branding venture between Hanna-Barbera Productions, Inc and Kellogg Company. However, unlike the mark *Mickey's Magix*, the mark *Scooby-Doo* has not

---

[7] 14 C.P.R. (4rth) 390

been registered in Canada for use in association with cereal. If your mark is not registered for the wares and services in association with which it is being used, then your rights to take action against infringement with respect to those unregistered wares and services is limited. Also, there is a chance that you might be infringing someone else's trade-mark rights as there could be a similar mark already in use for those new wares and services.

It is therefore advisable to do a search of the Trade-marks register before entering into any co-branding arrangement that will extend the wares and services previously used in association with your mark, and ensure that those wares and services are available for your use. It would then be prudent to file an application to amend your existing registration (if there is one) or file a new application for the mark in association with the new wares and services. Even though the application would be unlikely to proceed to registration prior to the commencement of the campaign, filing an application helps to crystallize your rights and also demonstrates that you have exercised reasonable due diligence.

(c) Liability

There is a possibility that claims, losses, suits, actions, demands, proceedings, expenses and/or other liabilities may be threatened or filed against one or both of the parties to a cross-promotional or co-branding relationship. As discussed in the previous section, these could include actions by a third party for trade-mark infringement, or an action for breach of an exclusive license. The parties should have an agreement to address the issues of liability and indemnities, as well as who can conduct proceedings, be involved in negotiations and make settlement offers.

Product liability should be a concern for trade-mark owners. If a mark is displayed on a product or packaging, a trade-mark owner may be found liable if someone is injured by the product or if there is any other type of accident, and almost certainly will be included in any action that might be commenced. As mentioned above, trade-mark owners in a cross-promotional or co-branding relationship should contemplate how this liability will be divided and how any action will be handled.

The parties to a cross-promotional or co-branding agreement should also establish which party shall procure and maintain insurance. Generally, one party will obtain the insurance and the other party will be named as an additional insured. An agreement may outline what form of insurance is acceptable to both parties, including the acceptable insurance company, the amount of coverage and the policy type (i.e. commercial general liability insurance from an insurance company for not less than $5,000,000.00 covering bodily injury, property damage, contract liability and advertising risk).

(d) Exclusivity

A cross-promotional or co-branding agreement should determine whether the parties can be involved in advertising relationships with other parties and other trade-marks. The agreement may limit parties from relationships with competitors or limit other advertising relationships altogether. If such a clause is required be sure to think about any territorial limitations, the duration of the exclusivity and the types of industries/products it covers. In addition, you may want to build in certain performance or revenue levels which must be maintained in order for the exclusivity to continue.

(e) Confidentiality

During the course of a cross-promoting or co-branding relationship, parties may be exposed to confidential information such as client lists, revenue projections, recipes and formulas. An agreement should address the type of confidential information that will be exchanged, how it will be identified, whom it may be shared with, how it may be used and how long it may be kept.

2. Actions against the unauthorized use of a trade-mark

In many promotions it may appear as if two or more companies have a cross-promotional relationship, but often no relationship exists. Frequently, companies will use another company's mark without permission. For example, a company may utilize sporting event or airline tickets in a consumer give-away, sweepstakes or contest without the permission of the sports team or airline.

If a mark is being used in association with a product or service without permission, the trade-mark's owner may pursue one or several of the following actions:

- a trade-mark infringement action under sections 19 or 20 of the *Trade-marks Act.*
- an action for passing off under section 7(b) of the *Trade-marks Act*.
- an action under section 22 of the *Trade-marks Act* for the depreciation in the value of the trade-mark's goodwill.
- a copyright infringement action for reproducing a design mark without consent[8].

An action for trade-mark infringement requires the party taking action to have a validly registered trade-mark. In the case of an action pursuant to section 19, the infringing party must be "using" the mark as set out in section 4 of the *Trade-marks Act*, and the use must be of an identical trade-mark for the identical wares and services as registered. Section 20 broadens the concept in that it allows the trade-mark owner to take action against a third party who is using a confusingly similar trade-mark. In this case then the mark does not have to be identical to the registered mark and the wares and services can be different. In determining the issue of confusion the courts will have regard to the all the surrounding circumstances including those set out in section 6(5) of the *Trade-marks Act* as follows:

---

[8] See *Cie Generale des Establissements Michelin v. C.A.W.-Canada* 71 C.P.R. (3d) 348 where a union was found guilty of infringing the copyright in the "Bibendum" character registered as a trade-mark by Michelin, by substantially reproducing the character's image on union campaign leaflets and posters

(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 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.

In an action for passing off, the trade-mark owner does not need to have a registered trade-mark but does need to establish that: 1) it has built a reputation, and is recognized, for a particular trade indicia (this include such things as the décor of a restaurant, distinctive packaging of a product, a slogan or a brand); 2) that a third party has misrepresented his wares or services as being those of the trade-mark owner creating a likelihood of public confusion; and 3) that the trade-mark owner is likely to suffer damages as a result[9]. This passing off can take the form of a third party using another party's trade indicia, or suggesting to the public that his wares and services are sponsored or endorsed by the owner of the distinctive indicia.

If a company decides to run a promotion regardless of these potential actions, the company should avoid using the trade-mark associated with the product or service and refer to the prize generically. If the company decides to use the trade-mark, all brand names and company names should be spelt correctly and a disclaimer should be included that states that the trade-mark, brand name and related company are not associated with the contest[10].

COMPARATIVE ADVERTISING

Any advertising campaign that compares or contrasts products or services with those of a competitor is considered comparative advertising. Comparative advertising does not always utilize the trade-marks of the competitor, but below are examples of comparative advertising that did so:

- Shopper's Optical used an advertisement with a model wearing eyeglasses in two photographs placed side by side.[11] In one photo the model is frowning under a heading "Eye Masters [Ltd.], $208 Reg. Price…" In the other photo the model is smiling and the heading reads "Shoppers Optical, $107 Reg. Price…". Eye Masters Ltd. successfully obtained an injunction to stop this ad.

---

[9] *Ciba-Geigy Canada Ltd. v. Apotex.*, [1992] 3 S.C.R. 120

[10] See Note 20 infra regarding a case where a disclaimer was sufficient to negate any potential for passing off.

[11] *Eye Masters Ltd.* v. *Ross King Holdings Ltd. carrying on business as Shopper's Optical* (1992) 44 C.P.R. (3d) 459

- Loomis Courier Service distributed an advertising brochure containing their rates as compared to Purolator Courier. The brochure reproduced both the *Purolator* and *Puroletter* trade-marks. Purolator objected to the brochure and was successful in obtaining an injunction to prevent the continued distribution of the offending advertisement.[12]

COMPARATIVE ADVERTISING ISSUES

1. False or misleading comparative advertising

The first legal concern relating to comparative advertising is whether the comparison or statements made are either false or misleading. There are a few Canadian laws that can apply in this regard:

- The Canadian *Competition Act*[13] restricts false or misleading advertising and provides both civil and criminal penalties.
- There are common law actions that can be brought if false statements that cause economic loss are intentionally made.
- Section 7(a) of the Canadian *Trade-marks Act* prohibits the making of false or misleading statements that tend to discredit a competitor.

As this paper deals with the issues concerning the use of trade-marks in advertising, it is beyond the scope of this paper to address these issues in more depth.

2. Comparative advertising that depreciates the value of a trade-mark's goodwill

Another concern for advertisers using comparative advertising campaigns is an action under section 22(1) of the *Trade-marks Act.* Section 22(1) states that "No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto".

The leading case in dealing with section 22 involves Clairol and Revlon[14]. In that case, Revlon had developed brochures and product packages that used Clairol's colour comparison charts. The charts told a customer which Revlon products were similar to Clairol hair colouring products. In that case the court held that the ads were not false or misleading but the analysis under section 22 was not quite so easy.

---

[12] *Purolator Courier Ltd.—Courrier Purolator Ltée* v. *Mayne Nickless Transport Inc. carrying on business as Loomis Courier Service* (1990) 33 C.P.R. (3d) 391.

[13] R.S.C. 1985, Chap. C-34

[14] *Clairol International Corp.* v. *Thomas Supply & Equipment Co. Ltd.* (1968), 55 C.P.R. 176, [1968] 2 Ex C.R. 552, 38 Fox Pat. C. 176 (Ex. Ct.) [hereinafter "*Clairol*"]

Any person interested in bringing an action under section 22(1) must be able to prove that there is a registered trade-mark, that the trade-mark was used in the legal sense and that the use had the effect of depreciating the value of the goodwill associated with the trade-mark.

The first element, proving that a registered trade-mark exists, can be easily resolved by a trade-marks search at the Canadian Intellectual Property Office (http://strategis.ic.gc.ca/).

The second element, establishing the use of a registered trade-mark, was discussed by the court in *Clairol.* The court held that "use" must be in accordance with the "deemed use" provisions in section 4 of the *Trade-marks Act*. Sub-sections 4(1) and (2) state the following:

> 4(1) A trade-mark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred.
>
> 4(2) A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.

The "use" requirement in section 22 and the "deemed use" requirement in section 4 can be summarized as follows.

> …a mark for services is used when displayed in performing or advertising of them. Not so for goods: there must appear on the goods themselves or their packages, or must otherwise be notified at the time property in the goods is transferred or possession changes hands. A mark for services is "used," but a mark for goods is not, in a television commercial. [15]

According to the "use" requirements, the court held in *Clairol* that Revlon's brochures should not be enjoined, but that the product packages that displayed Clairol's hair colour charts in comparison with those of Revlon products should be enjoined as contrary to section 22(1) of the *Trade-marks Act*. The mark on the brochures was not considered a "use" since the mark was not visible prior to the purchase of the product while the product packages were considered a "use" of a trade-mark as the mark appeared on the packaging.

---

[15] *supra* note 2 at 193

The last element in establishing a successful action under section 22(1) of the *Trade-marks Act* is the depreciation of the value of goodwill of the mark.

In *Clairol*, the court held that the value of goodwill could be depreciated through "reduction of the esteem in which the mark itself is held or through the direct persuasion and enticing of customers who could otherwise be expected to buy or continue to buy goods bearing the trade-mark"[16].

This interpretation of depreciating the value of goodwill is very broad and appears to catch almost any form of comparative advertising since the purpose of advertising is to increase one's market share and entice customers away from your competitors.

Subsequent cases have narrowed the interpretation of depreciating the value of goodwill and the definition of "use" in section 22(1) of the *Trade-marks Act*. In *Future Shop Ltd. v. A. & B. Sound Ltd.*,[17] the defendant used the trade-mark "Future Shop" in advertisements to show that the defendant's electronic products were less expensive. The court held that using a competitor's trade-mark for the purpose of stressing the similarities in the products offended section 22(1), however, if the competitor's trade-mark was used to stress the differences between the trade-marks, section 22(1) would not apply, as this would not have the effect of depreciating goodwill.

Further to the decision in *Future Shop*, the court heard *British Columbia Automobile Association* v. *O.P.E.C., Local 378*[18] in 2001. In this case, the union was using a company logo in an advertising campaign designed to increase membership in the union. The court found that the depreciation of goodwill would not occur if the use being made of a competitor's trade-mark was unlikely to have any negative commercial ramifications on the competitor, either because the ad was not reaching a sufficiently large pool of potential consumers to have any commercial effect, or because the message in the ad was unlikely to have the effect of decreasing business.

To summarize, comparative advertising is regulated by common law, the Canadian *Competition Act* and the Canadian *Trade-marks Act*. Section 22(1) of the *Trade-marks Act* provides guidelines for those wishing to use comparative advertising that is neither misleading or false. To avoid an action by a competitor under section 22(1), a company should consider the following:

- avoid the use of a competitor's trade-mark in comparative advertising.
- avoid printing a competitor's mark on packages, or other material that is clearly visible at the point of purchase of the product.

---

[16] *supra* note 14 at 573.

[17] (1994) 55 C.P.R. (3d) 182. [hereinafter "*Future Shop*"]

[18] (2001) 10 C.P.R. (4th) 423

- avoid any reference to a competitor's trade-mark in comparative advertising when you are advertising services.

- any use of a competitor's trade-mark in comparative advertising should focus on the difference between the products or services rather than similarities.

- comparative advertising should be fair, accurate and not inflammatory.

AMBUSH MARKETING

One of the most popular events in the city of Toronto is the Toronto International Film Festival ("TIFF"). This past year, Bell was the official sponsor of TIFF; Bell's name was part of the TIFF domain name and its logo frequently appeared closely with the TIFF logo. One of the major problems in sponsorship campaigns is ambush marketing. Ambush marketing refers to the intentional efforts of one company to weaken a competitor's association with an organisation or event. Generally, an advertiser is seeking to capitalize on the goodwill of a particular event by creating an association without the authorization of the necessary parties. An example of ambush marketing would involve a company, other than Bell Canada, separately purchasing advertising from the movie theatres in an attempt to associate its services or wares with TIFF. The company's actions would also weaken Bell Canada's association with the film festival.

A real example of ambush marketing occurred during the 1992 Olympic Winter Games. VISA invested over USD$20 million to become an official sponsor of the Olympic Winter Games.[19] American Express Company purchased advertising time on a number of the major American television networks and *American Express* advertisements were aired frequently during the Games. One particular advertisement stated "And remember, to visit Spain, you don't need a visa". VISA argued that American Express was attempting to associate its credit card with the Olympics without being an official sponsor and without the International Olympic Committees' permission.

AMBUSH MARKETING ISSUES

Ambush marketing frequently occurs within the sporting industry. A well-known Canadian case, which also occurred in 1992, involved the National Hockey League and Pepsi-Cola Canada.[20] The case involved a law suit launched by the National Hockey League ("NHL") against Pepsi-Cola Canada Ltd. ("Pepsi") in connection with its "Diet Pepsi $4,000,000 Pro-Hockey Playoff Pool" whereby fans matching information under bottle caps with actual NHL playoff results became eligible for prizes. Pepsi also used Don Cherry, a well-known hockey commentator and ex-NHL coach, as a spokesperson.

---

[19] Stuart Elliott, "Companies Go for the Gold, Using Ambush Marketing", *N.Y. Times*, February 3, 1992 at D1

[20] *National Hockey League et al.* v. *Pepsi-Cola Canada Ltd./Pepsi-Cola Canada Ltée* 92 D.L.R. (4th) 349. Affirmed 122 D.L.R. (4th) 412.

In its advertising campaign, Pepsi was very careful not use the full names or registered trade-marks of the NHL teams and inserted a disclaimer into its advertisements and promotional materials indicating that the contest was “neither associated with nor sponsored by the NHL or any of its member teams or other affiliates”. Pepsi was not an official sponsor of the NHL; Coca-Cola was the league’s official soft drink sponsor.

Pepsi purchased substantial advertising time throughout Canada to advertise its Pro-Hockey Playoff Pool during the broadcasts of NHL playoff games.

The NHL sued Pepsi and argued that by advertising during the NHL playoffs and using Don Cherry as a spokesperson, Pepsi:

- infringed the NHL’s trade-mark;
- used a trade-mark that was confusingly similar to the NHL’s trade-mark;
- was guilty of passing off its trade-mark as being associated with the NHL’s trade-mark; and
- used the NHL’s in a way that depreciated the value of the trade-mark’s goodwill.

The Court held that Pepsi had not infringed the NHL’s trade-mark. No action could be maintained because section 19 of the *Trade-marks Act*, which provides a registered trademark owner with the right to the exclusive use of its trade-mark, requires that the actual trade-mark must used. As mentioned above, Pepsi did not use any of the NHL trade-marks. The advertisements mentioned city names instead of NHL team names and Pro-Hockey was used and not the National Hockey League name. In connection with this finding, the Court stated that the use of the NHL name in the disclaimer was not an infringement as Pepsi was merely referring to the organization.

In the alternative, the NHL argued that Pepsi had used a confusingly similar trade-mark under section 20 of the *Trade-marks Act*. The Court held that Pepsi had not used marks on their products or services that were deceptively similar to the NHL’s registered marks or names and that the marks were not likely to result in confusion with the products or services of the NHL. The NHL’s registered marks and names bore no resemblance to Pepsi’s marks.

The third argument used by the NHL was that Pepsi had passed off its trade-mark as one associated with the NHL. The Court held that the promotional and advertising materials in the contest had not passed off or implied that there was an endorsement by or association with the NHL. Hardinge J. held that there was only a small likelihood that the public would infer such an association from the materials and that the disclaimer was clear and prominent enough to dispel any misunderstandings.

Lastly, the NHL also argued under section 22(1) of *Trade-marks Act* that there was a depreciation of the value of goodwill in the NHL’s trade-marks. Following the reasons mentioned above, no registered trade-marks had been used and therefore the court rejected the claim for depreciation of the value of goodwill in the NHL team trade-marks.

Advertisers considering these marketing tactics should be aware that the *NHL* v. *Pepsi* case does not make ambush marketing legal. Ambush marketing involves a wide range of activities and each case will need to be judged separately. Also, Pepsi had a number of non-legal factors operating in its favour including its association with professional hockey through its Hockey Night in Canada sponsorship.

Trade-mark owners entering into sponsorship agreements have increasingly insisted that organizations provide some protection from ambush marketing. For example, the official sponsor may insist that the organization prohibit any sub-licensing of its trade-mark by television networks to unauthorized companies.

CONCLUSION

Cross-promotions and co-branding, comparative advertising and ambush marketing are just a few of the campaigns currently used by advertisers and marketers. These campaigns involve various legal concerns, which should be considered by trade-mark owners and legal counsel in order to sustain the goodwill and value of a company's trade-mark.