

IMPLIED TRADEMARK LICENSES: A CASE STUDY

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When will a trademark license granted from one party to another be implied? The Federal Court in the [Core Consultants Realty\[1\]](#) decision (“*Core Consultants*”) recently had an opportunity to revisit this question. The general fact pattern described in *Core Consultants* is not particularly unique, and many business-people likely have undergone similar experiences at some point during their business life-cycles. However, the Court’s decision ultimately turned on a number of nuances that trademark owners would likely be interested in knowing – if they wish to continue to preserve their rights in their trademarks.

In *Core Consultants*, Party A launched a realty brokerage business using a Trademark. Party A then formed a business alliance with Party B, wherein Party A would continue its realty brokerage business using the Trademark in one city and Party B would launch an independent brokerage business using the Trademark in another city. By doing so, Party A and Party B envisioned cross-promoting each other’s business between the two cities and under the Trademark. The relationship and arrangement between Party A and Party B lasted for a couple of years before it eventually broke down. At the end of the relationship, Party A exerted its trademark rights against Party B, stating that Party B’s license to use the Trademark in association with Party B’s realty brokerage business was terminated. Despite receiving the letter of termination, Party B continued to use the Trademark in association with its realty brokerage business.

The Court ultimately found that Party A owned the Trademark. It also held that Party A had granted an implied license pursuant to Section 50 of the *Trademarks Act* to Party B to use the Trademark in association with Party B’s realty brokerage business, and that Party B infringed Party A’s Trademark rights when it continued to use the Trademark after the license was terminated. The Court arrived at its decision after finding the following:

- Party A invested significant efforts into the development of the Trademark prior to forming the business alliance with Party B, including registering domain names using the Trademark, developing the Trademark with a graphics designer, registering a business name with the Trademark, and using the Trademark in association with its realty brokerage business;
- by the time the alliance was formed, Party B was able to seamlessly enter the realty brokerage market in its city by using the existing infrastructure developed by Party A and outlined in bullet point one above;

- any changes to the presentation of the Trademark required Party A's approval, and any use of the Trademark in the business name of Party B and general promotional initiatives of the business as a whole required Party A's consent;
- Party A maintained physical control over the Trademark through its control of the main website shared by Party A and Party B, the email accounts associated with the domain name, and the social media accounts of the business as a whole.

The foregoing bullet points led the Court to infer that Party A had granted a license to Party B to use the Trademark in association with Party B's realty brokerage business, whereby Party A maintained control, direct or indirect, of the character or quality of services used in association with the Trademark. Also, the Court noted that there was no formalized agreement (written or oral) between the parties that contradicted this inference. While Party B contended that its financial contributions to the business as a whole, including its financial contributions towards revising the main website shared by Party A and Party B, entitled Party B to ownership rights in the Trademark, the Court further noted that such contributions were merely a reflection of Party B's involvement in the business as a whole, and were not sufficient to establish ownership rights in the Trademark.

The Takeaways

1. *Trademark licenses may be inferred.* Even in the absence of a written or oral agreement, a trademark license granted from one party to another may still be inferred – provided that the deemed licensor takes appropriate steps to maintain adequate control of the licensed trademark. In *Core Consultants*, it was the summation of a number of facts (the Court considered both events that occurred and events that did not occur) that led the Court to find that an implied trademark license existed between Party A and Party B.
2. *Contribution to a business is not synonymous with trademark ownership.* It is also important for trademark licensees to remember that their monetary contributions to a business (whether to the licensor's business or a business that is shared between the licensor and the licensee) do not necessarily entitle them to ownership rights in the licensed trademark. Rather, such contributions may be seen as merely a reflection of a licensee's involvement in a business.
3. *Take note of industry norms and practices.* What constitutes control of a trademark also varies from industry to industry, and it is important to take into account the business realities of an industry in determining whether a licensor has maintained adequate control of its trademark under the provisions of the *Trademarks Act*. On these facts, it was clear that Party A had sufficient veto rights over use of the Trademark by Party B.
4. *Put it in writing.* Why go through the anxiety and uncertainties of litigation to convince a court that a trademark license should be inferred? Consider the potential benefits of entering into a written

agreement at the outset of an engagement, for the purposes of putting the understanding between parties in writing. While a written agreement may not eliminate or address all areas of uncertainty, it may nevertheless decrease the number of such uncertainties and provide the parties with a point of reference throughout the term of their relationship and just as importantly when the relationship terminates.

5. *Get a trademark registration.* Registration of a trademark assists to provide evidence of ownership and entitles the Registrant greater protection in a cause of action of infringement against potential or actual infringers in addition to those trading on the goodwill in the mark and on the reputation of the Registrant in the market.

by Pablo Tseng and Kaleigh Zimmerman

[1] *Corey Bessner Consulting Inc v Core Consultants Realty Inc et al*, 2020 FC 224.[ps2id id='1' target='']

A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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