

Trade-Mark Law

Annual IP survey articles published in *Canadian Lawyer Magazine*

June 1998

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Chocolate Bar Brawl

Toblerone, as all chocolate addicts know, is a fancy brand of chocolate bar. The company that makes Toblerone recently went to court to stop a rival chocolate bar-maker from marketing a bar with a somewhat similar shape. (*Kraft Jacob Suchard et. al. v. Hagemeyer Canada*)

Reading the case can give you a bad case of the munchies. The court discusses the similarities and differences between the two chocolate bars. They both sound tasty.

The issue before the court: what's the test, when determining if consumers would be "confused"? Is it enough that consumers think the two products, although recognizably different, might come from the same source? Yes, said the Ontario court. There's a likelihood of confusion if consumers might think that the new bar was a product put out by the company that made Toblerone.

The Hagemeyer bar was called "Alpenhorn". It came in a triangular package, like Toblerone. It also had those bite-sized sections you break off, which it turns out are called "peaks" or "treads". Both bars were both made of the same ingredients. Their shapes were similar but not identical; Alpenhorn's "peaks" had a more rounded appearance. The lettering on the package was also somewhat similar, although the overall package was a different colour.

The two parties had been dealing with each other for years before the dispute started. Hagemeyer had been the Canadian distributor of the Toblerone bar. In January of 1997, the agreement terminated. Hagemeyer's Alpenhorn bar appeared on the market eight or nine months later.

When it found out Hagemeyer was planning to market Alpenhorn, Kraft sent a cease and desist letter. Hagemeyer went ahead and started selling its bar anyway. Evidently, Hagemeyer's thinking was that, since there were various other somewhat similar bars on the market, the Alpenhorn bar was not infringing Toblerone's rights.

Kraft brought an action in the Ontario Court of Justice, and sought summary judgment. Hagemeyer brought a cross-motion to dismiss the case. In a decision released in early February, 1998, Mr. Justice William Festeryga found "that the packaging and the product shape are very similar in appearance," and granted judgment to Kraft.

There was a lot of debate in court about what the test should be. Hagemeyer argued the public is "confused" only if they perceive the products to be the same. In its expert survey, the Hagemeyer's survey question was, "Looking at these (pointing at the Alpenhorn display) do you think the Alpenhorn bar is an actual Toblerone bar, or do you have no opinion?"

Kraft, on the other hand, argued that the test is not whether people think the products are actually the same thing, but whether they think the products might come from the same source. In Kraft's expert survey, which the court preferred over Hagemeyer's, the question was "Which company do you believe puts out the brand of chocolate product you just saw?" Based on the survey, the court concluded "a significant percentage of the public" thought "the two products were made by the same company."

Justice Festeryga ordered a permanent injunction against sale of the Alpenhorn bar, and delivery up of all infringing material.

Deborah Glendinning of Toronto's Osler, Hoskin & Harcourt, who appeared for Hagemeyer says she was surprised by the decision. "Much of the expert evidence filed by the defendant was not even considered. On that basis alone, I believe the Court of Appeal would have taken a serious look at this case." There was an appeal, but the case was then settled. Art Renault who together with Tim Lowman of Sim, Hughes appeared for Kraft, commented: [he's going to give me comment – has to get client to approve it.]

The terms of the settlement are confidential, so we may never know what happened to all those Alpenhorn bars. But there's a rumour the lawyers on the case all put on ten pounds.

The Domain Name Game

Most people are by now familiar with the broad outlines of the internet domain name problem.

In brief, domain names are like telephone numbers for computers on the internet. A company called InterNIC, also known as Network Solutions Inc. or NSI gives out the most sought after ones (those ending in *.com*, *.net* or *.org*) on a first-come, first-served

basis. InterNIC does not check who wants the domain name, or whether that person has any right to it under trade-mark law.

This is a legacy of the days when only computer nerds used the internet. Since the nerds were decent (although they had difficulty getting dates), the system worked well enough.

Before long, however, less scrupulous hackers began to grab well-known corporate names such as *coke.com* and *ronald@mcdonalds.com*. Some hackers tried to “sell” domain names back to the supposedly rightful owner. InterNIC developed a dispute policy designed mainly to protect InterNIC itself from getting sued. But the disputes went on, and InterNIC was sued repeatedly anyway.

Problems have popped up all over the place. For example, what if two companies have similar names? If there’s Acme Flying Saucer Ltd., and Acme Chinese Food Inc., which should get the domain name *acme.com*?

Things are even more confused if one party complicates things by being located outside the United States. If one party is in some obscure country like say, Outer Mongolia or Canada, and the other is in the US or elsewhere, which law of which country applies, and what court has jurisdiction? There is no clear answer.

Another hotly debated issue has been the exclusive role of NSI itself, a private company located in the US, which some claim is a monopolist. NSI (a publicly listed company) seems to have done very well out of charging fees for giving out domain names.

The US wipes out WIPO over domain names

Efforts are being made to sort this mess out. Three remedies are being discussed: more gTLDs (generic top level domains), more registrars, and an international dispute process.

The gTLD is the little tag at the end of the domain name, such as *.com*,
The thinking is that creating more of these will reduce the number of domain name disputes.

It is not clear when this will happen. Not only are many details in dispute, but a turf war has now broken out between the US government and the World Intellectual Property Organization (WIPO), based in Geneva. WIPO has asked an expert committee, called the Policy Oversight Committee (POC – everything has an acronym in this area) to come up with a plan. But the US doesn’t agree with the POC, and wants more control.

The US government points out the internet was developed and is still largely run on US government money. In return, POC accuses the US government of power grabbing, and ignoring the fact the internet is now international.

WIPO decided about two years ago that, as the world's international intellectual property body, that it should try to sort out the domain name mess. An international *ad hoc* committee (IAHC) of internet experts was created, which made recommendations to WIPO. These recommendations resulted in a Memorandum of Understanding (MOU), released by WIPO in 1997, which purported to lay down what was going to be done. The POC evolved from the earlier international *ad hoc* committee of experts. Its job is to supervise the implementation of the new plan.

In a nutshell, the plan was there would be many new domain name registrars appointed (about 90 to begin with, and maybe more later) located all over the world, to address the monopoly point. Any of those registrars would give out domain names in any gTLD (a central database would still exist, to avoid duplication.)

There would also be seven new global top-level domain names (gTLDs): .arts, .firm, .info, .nom, .rec, and .web, and .shop. And there would be an international domain name dispute mechanism, under the auspices of WIPO.

Meanwhile, the US government was working on its own plan. Bill Clinton appointed the US Department of Commerce to look into what should be done. The result was a "Green Paper", written mainly by Ira Magaziner, the president's technology adviser, released in late January, 1998.

The Green Paper differed from WIPO's plan. It said there should be only five, not seven, new gTLDs. Instead of having dozens of new registrars, there would be only a few more. One registrar would handle each gTLD. If you wanted a domain name ending in *.shop*, for example, no matter where in the world you live, you would have to get it from the one registrar that gives out the *.shop* names. The Green Paper also called for a non-profit corporation, based in the US, to administer the internet, structured to represent the range of interests of the internet community. NSI would continue as registrar for the most popular gTLDs, *.com*, *.net* and *.org*.

In late March, 1998, just at the time of writing of this article, David Maher, head of the WIPO committee, blasted the US plan. In a document released March 23, 1998, he strongly criticized the Green Paper for its "failure to recognize the international character of the internet". Many of the Green Paper's conclusions, he charged, were "arbitrary and unwarranted", and based on concepts which were "erroneous".

"It is not sound policy to give NSI most of the economic benefits of its existing monopoly for the foreseeable future," argued Maher.

It is unclear at time of writing what will happen. "I think that in the end there will be more domain names, and fewer trade-mark problems," comments Elliott Simcoe of Smart & Biggar. "The problems we have now arise because there are only a few top level domains, like *.com*, that are really universal in nature, so they're in demand. If you want to contact IBM, it's pretty likely its *ibm.com*. But as time goes on, that won't be as clear

anymore. The usual test for trade-mark confusion will govern, if a dispute arises. So people may be getting hot under the collar about something that will sort itself out in time.”

No one knows whether increasing the number of top level domain names will lessen the number of disputes. Acme Flying Saucers Ltd., having registered *acme.com*, may also think itself entitled to *acme.firm* and *acme.shop*. Other Acme companies may still disagree. The dispute will continue to be especially hard to resolve if the two companies are in different countries. In the end, the company that grabs a desirable domain name first will generally be better off.

Bill Gates commented in a recent newspaper column that “Keep in mind that there are often dozens of websites that potentially work for a particular website, a reality that limits the value of any specific website.” Gates notes that someone has registered *billgates.com* and is offering it for sale for \$1 million, but he says he doesn’t care, and doesn’t plan to buy it.

Canada’s own domain name

Canada has its own top level domain: *.ca*. (I’ve always thought it should be *.eh*, as in “Nice earmuffs, .eh?”)

But *.ca* is about to change.

The system for giving out *.ca* domain names is going to loosen up, according to John Demco, registrar of the *.ca* domain. “The proposal is that the restrictions be liberalized,” comments Demco, a UBC computer professor, who’s been the volunteer registrar since 1987. Right now, to get a *.ca* domain, you need one of three things: a federal incorporation under that name, or a provincial incorporation under the name plus evidence that you do business in more than one province, or a trade-mark registration. This has been criticized as too restrictive, and was in contrast to the fast-and-loose system for giving out *.com* domain names.

The *.ca* domain now plans to dump these restrictions, and move to a first-come, first served system. Under the old system, many Canadian website builders did not bother with the *.ca* top level domain, and went instead for the easier-to-get, non-regional, top-level domains such as *.com*.

An expert committee recently recommended liberalizing the rules. Its recommendations were posted on the web for comments in the spring of 1998. “We’re now sifting our way through all the comments,” says Demco.

It’s likely that soon anyone will be able to register any domain name ending in *.ca* they want, provided it’s not already taken.

That seems to mean there may be a land rush, starting on a certain day, when anyone can grab anything as soon as the starting gun goes. “Probably, we’ll just have to announce that the system is changing on a particular day, at a particular time, and then see what happens,” comments Demco. But it hasn’t been decided yet what the rules would be, or when this will happen.

ITV case

Speaking of the Great White North, there have been a number of court cases already about domain names in Canada, but most of them have settled or are still on-going. One on-going case is the ITV case, where the Federal Court granted an interim injunction preventing the use of an allegedly confusing domain name (although the injunction was dissolved shortly afterwards).

The jurisdiction question did not arise, because both parties were in Canada. Mr. Justice MacKay, who heard the interim injunction application, treated the domain name as a trade-mark use, and applied normal trade-mark principles.

WIC is a broadcaster with TV stations across Canada. It had trade-mark registrations for ITV, which it had been using for television programming for many years. It also used the domain name www.itv.ca. In BC, a network provider called ITV Technologies started using ITV in various ways, primarily through a website, www.itv.net.

WIC sought an interlocutory injunction against the BC company at a hearing in Edmonton in November, 1997. The BC company did not appear (it asked for an adjournment by letter). MacKay J. was satisfied that there was evidence of irreparable harm, and granted an interim injunction preventin use of the trade-mark, including the website, pending the hearing of the interlocutory injunction, which he set down for a hearing two or three weeks later.

Both parties showed up at the second hearing in December. Mr. Justice Pinard dissolved the injunction. He applied the various well-known cases where the courts have said that evidence of irreparable harm must be clear and not speculative. “[A]lthough the alleged offending representation to the public has been in the marketplace for some two years, there is no evidence of established harm ... leading to the conclusion that WIC’s harm is merely speculative,” wrote Justice Pinard in his reasons.

WIC is pushing forward. “We’ve got discoveries coming up in late April, and we’re going to push it on to trial as quick as we can,” said WIC’s counsel, Graham McLennan of Ross, McLennan of Edmonton.

Trade-marks database goes on line

In January of 1998, without much fanfare, the trade-marks branch of the Canadian Intellectual Property Office (CIPO) put the trade-mark register on-line. It's a useful tool.

It has registrations, applications, and some but not all terminated registrations (registrations that have been expunged for one reason or other). Design registrations, including the design itself, are on the database. There's a search engine too.

For applications, the database sets out information such as when office actions went out, why, and when a response is due.

According to John Rombouts, special advisor to the director of the trade-marks branch, the database is up-to-date to a point about two weeks earlier. "There will still be a role for the private search houses, because they're adding value. Our database is just the straight information," says Rombouts. Access to the database is free, and there is no plan to charge for it.

Cynthia Rowden, a trade-mark specialist with Bereskin & Parr, finds the database useful, but notes that it is not a substitute for a proper search. "There's the question of how up to date it is, and also they don't seem to have everything on there. Some test searches I did on the database didn't seem to turn up things I knew were there." But she does regard it as a useful way of making a preliminary search.

So far, says Rombouts, the comments that CIPO has received have been good, and usage has been growing. For example, CIPO is trying to keep track of how many hits there are, and has discovered that usage has been growing rapidly, as you might expect. "In the month up to March 22, the database was visited about 2,000 times and there were about 18,000 searches, or an average of 9 searches per visit. The number of searches was about double the month before."

You can find the database at <http://strategis.ic.gc.ca>.

Electronic filing

While we're on the topic of on-line life, we shouldn't forget on-line filing of trade-mark applications, which is right around the corner.

This is not yet a reality, but it will be very soon. Regulations to permit on-line filing of trade-mark applications will likely be pre-published in the Canada Gazette in the near future, and have already been circulated for comment. For now, only applications will be included, and not other routine filings such as assignments, renewals, declarations of use, and so on.

Initially, only five firms that have agreed to participate in a pilot project will use the on-line filing. "The problem is security concerns about sending money over the net," says Rombouts. "The five firms in the pilot project all have deposit accounts with CIPO, so they can send their application on-line, and give an authorization that the fee be taken out of their pre-existing account."

At some point "over the next year or so", assuming the pilot project goes smoothly, anyone will be able to send in an application over the net by providing a credit card number.

The system will also be expanded to include routine filings such as responses to office actions, renewals, declarations of use, and so on. Finally, "as the last step", on-line filing may be expanded to opposition proceedings.

"The idea is to make the trade-marks office as equitable and accessible as possible. It's accessible now, if you're in Hull, but that's not much help if you're in Vancouver," commented Rambouts.

Opposition Procedure

Trade-mark oppositions routinely take years to get to a hearing. For about the last two years, CIPO has been trying to develop new regulations to remedy this. There have been some delays in deciding on a cure, however, due to difficulties in identifying the disease.

An earlier draft of the revised Regulations, released in early 1997, drew fire because it introduced radical changes, such as greatly restricting the scope of cross-examination, and imposing strict time deadlines.

Many members of trade-mark profession objected. They said that the slowness of the process was caused not by foot-dragging on the part of the profession, but rather by backlogs at the Opposition Board. Therefore imposing strict deadlines on the profession was not going to solve the problem, if there was one.

The latest draft of Regulations appeared on the CIPO website in November, 1997, with a request for comments. The object of the exercise, says Alan Troicuk, an Industry Canada lawyer, is to improve and streamline the opposition process.

The radical changes suggested earlier are now gone. The time frames for doing things such as filing evidence are now longer, rather than shorter, at least on paper. But the difference is that these deadlines will not be extended. For example, an opponent used to have just one month to file its evidence after the applicant's counterstatement, but multiple extensions were routinely granted. Now the idea is to impose a longer time frame (four months, rather than one) but insist that parties actually meet the deadline unless the other side consents.

“In conjunction with the changes in the redrafted regulations, the Opposition Board would cease its current practice of virtually automatic initial extensions of time for each stage of an opposition, and instead adopt a strict practice of only granting extensions were exceptional circumstances are established or the other party consents,” reads the covering letter from Alan Troicuk.

Also, Troicuk says the government will try to reduce the delay between requesting a hearing, and the hearing date to about four months. It has been common in the past to wait over a year before getting to a hearing before the Board, due to a huge backlog of cases.

According to Troicuk, the new Regulations will probably be pre-published in the *Canada Gazette*, Part 1 next summer.

“We trying to consult as much as possible with stakeholders,” comments Troicuk, who thinks that new Regulations may come into force by around the end of the year.

Some members of the profession still have reservations. “Four months is a pretty limited amount of time, given how complex the evidence in trade-mark oppositions has become in recent years,” comments Rowden. “It seems you will still be able to get extensions but only when there are exceptional circumstances, but we don’t have any idea right now what that means.”

In terms of transition rules, the proposal is that the new regulations would apply only to opposition proceedings arising out of trade-mark applications advertised after the day the new regulations come into force.

This means there will be two sets of rules for years to come. Which one you would use on any particular file will depend on the date of advertisement of the application in the *Trade-marks Journal*.

Sound complicated? Maybe, but that’s what keeps us IP lawyers in snazzy shoes.