



Key Lessons from Canadian Trademark Cases

by Liisa Kaarid

Strong brand names and logos are precious assets. Whether on store shelves or above the front door, they are a direct connection with your customers. They create and leverage loyalty. It follows that they should be carefully guarded. Canadian cases decided last year gave us three important lessons on this front.

Bad actors remain active

Last year's judgments contained more examples of brazen attempts to exploit others' trademarks. The case of *Beijing Juidan Restaurant Co. Ltd. v. Meng*, for instance, involved the bad faith filing of a trademark application. The complaining party ("BJR") had a chain of restaurants in China. BJR opened two Canadian sites in 2018-19, and discovered that Mr. Meng had already applied for and registered a Canadian trademark identical to BJR's Chinese trademark. The court found Mr. Meng was aware of BJR's trademark and its reputation in Canada, and that he intended to benefit improperly; he wrote BJR asking for \$1.5M and later advertised franchise rights for \$100,000 per year. There was no indication that Mr. Meng intended to use the Canadian trademark for operations himself. On this evidence, the court found that Mr. Meng had acted in bad faith and therefore his registration was struck as invalid.

Manufacturers and retailers in the grocery sector are similarly targets of opportunism. Examples are as varied as the imaginations of the wrongdoers – ranging from the sale of inferior goods using confusingly similar labelling, to "domain squatting."

Registration gives the best protection

Under Canadian law, the best protection for words and designs signifying the source of goods/services is registration under the *Trademarks Act*. A registered trademark enjoys protection across Canada. In contrast, an unregistered trademark has limited rights, only for the geographic area where the trademark has developed a reputation.

Sassafras v. 815470 Ontario Ltd. highlighted that distinction. Sassafras was a fine-dining restaurant in Toronto that had operated since 1997 as a well-known local landmark. Its owner ("SassafrasCo") registered a trademark for the word SASSAFRAZ in 2011. However, in 2020 a new restaurant launched in the Niagara Peninsula named SASSAFRAS. Though resemblance between the words was high, the owner of the Niagara restaurant argued the possibility of consumer confusion was low, due to the distance between the businesses. The court rejected this as irrelevant. The test for confusion between trademarks assumes use in the same area. Accordingly, the court found that SassafrasCo "is entitled to fully enforce its rights to national exclusivity."

Timing is key – and consider processing delays

The Canadian Intellectual Property Office ("CIPO") is experiencing significant delays in processing trademark applications. Causes include changes to the legislative framework in 2019 (with a flood of applications under the old and new regimes) and COVID-19. While CIPO has hired more examiners and introduced technology to address the backlog, the process now stretches to several years.

Best Practices

- **Make an inventory of words and designs that identify you, or your goods and services (including slogans and designs using colours that are important to you).**
- **Prioritize key words/designs for trademark registration.**
- **Don't delay. Timing is essential, especially given CIPO backlogs.**
- **Active, public use may be necessary to protect the value of your trademarks.**
- **Closely monitor the marketplace for possible infringement on your marks.**
- **Train your team to use trademarks properly and report improper use.**
- **Work closely with legal advisors who know the law and understand your business, including long-term strategies.**

Long processing times can impact legal rights. *2788610 Ontario Inc. v. Bhagwani*¹ is an example. In this case, 2788610 Ontario Inc. (“First Filer”) filed a trademark application for BOMBAY FRANKIES in October 2020, and then made significant preparations to launch a franchise system bearing that name. In March 2021, Mr. Bhagwani and his business partners (“Second Filer”) filed a trademark application for BOMBAY FRANKIE, opening a restaurant under that name in July 2021. The dispute between the parties is before the courts at the time of writing, and is not subject to comment here. It is noteworthy that in November 2022, the Ontario Divisional Court overturned an interlocutory injunction granted by a motion judge that had ordered the Second Filer not to use the Bombay Frankie name until trial. A key basis for the reversal was that the *Trademarks Act* was said to limit the availability of infringement proceedings to registered marks (not applications). The First Filer is seeking to appeal this decision.

With current delays in mind, it is wise, pending further comment from the courts, to apply as soon as possible to start the process for obtaining enforceable rights gained through registration and start using the trademark, even though it is not necessary to use the trademark to obtain registration.

Conclusion

Recent cases have reaffirmed that trademarks require vigilant protection, and timely application for registration is key. Although use is not necessary to obtain registration, it may be advisable to use the mark to preserve the value of the mark that ultimately obtains registration. Strategic legal protection of your brand should be a business priority. ■

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