

Year in Review: 2010

Intellectual Property Surveys



Compiled by: Sarah D. Carnegie Ph.D. (cand)

This publication contains reviews and excerpts from decisions referencing survey and investigative evidence in intellectual property decisions between January 2010 and December 2010.

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1. *CIBC World Markets Inc. (applicant) v. Stenner Financial Services Ltd. (respondent)* (Docket T-2216-07); and *Thane Stenner (applicant) v. Stenner Financial Services Ltd (respondents)* (Docket T-2217-07), 2010 FC 397. April 13, 2010.

Two applications were filed to expunge the trade-mark STENNER in association with publications regarding financial services and investments, and with the provision of seminars and radio programs in the field of financial services and investments. The applications argued that the mark was invalid due to various reasons, including lack of distinctiveness at the time of the commencement of expungement.

Analysis:

With regard to distinctiveness, the Respondent relied on personal opinion and testimony of friends and customers of how the general public perceived and associated the STENNER mark with financial services and the like. Even though the court deemed it admissible evidence, the court did not deem it as very persuasive (Court referred to *Joseph E. Seagram & Sons Ltd. v. Canada (Registrar of Trade Marks)* (1990), 38 F.T.R. 96).

Instead, the Court found the Applicant's survey evidence more persuasive on the matter of distinctiveness of the STENNER mark. The survey evidence directly challenged the evidence of the Respondent, by showing that the name STENNER had not acquired distinctiveness in the minds of the public at the time of the commencement of the expungement proceedings.

The Court accepted the survey evidence in its entirety because the survey was 1) conducted and presented by an expert, 2) the findings were relevant to the issues (i.e. the participants were those who used the relevant services and/or products at issue), 3) it was properly designed, and 4) it was conducted impartially. The Court also noted that no counter survey evidence was submitted by the Respondent.

Decision:

The mark STENNER may have been distinctive at the time when the registration was granted, but the survey evidence showed it had lost its distinctiveness at the time of the initiation of the expungement proceedings (mainly due to lack of use). Therefore, the order was made to grant the applications and for the Registrar of Trade-marks to expunge the registration for the trade-mark "STENNER".

2. *Wrangler Apparel Corp (applicant) v. Big Rock Brewery Limited Partnership (respondent)*, 2010 FC 477; Ottawa, April 30, 2010

The CorbinPartners' *Year in Review 2009* reported that the T.M.O.B. criticized Wrangler for failing to provide evidence of a "mental association" between WRANGLER jeans and a beer by the same name, that could lead to confusion (see *Wrangler Apparel Corp. v. Big Rock Brewery Partnership*; [2009] T.M.O.B. No. 18; [2009] C.O.M.C. no 18; 72 C.P.R. (4th) 16. The decision of the Board at that time was to reject the grounds for opposition to registering the trade-mark WRANGLER in association with brewed alcoholic beverages.

Wrangler Apparel Corp. submitted new evidence on appeal, including survey evidence of a "mental association" between WRANGLER jeans and WRANGLER beer.

Analysis:

The judge allowed the survey evidence to be submitted, but curtailed its weight. As described by the court:

[24] The present survey (the WRANGLER beer survey) was conducted as follows. 512 randomly selected Canadian beer drinkers were surveyed. 402 were asked the following question: There may soon be a beer sold in Canada under the brand name WRANGLER, spelled W-R-A-N-G-L-E-R. What first comes to mind when you hear of a beer with the brand name WRANGLER?

[25] The other 110 were set aside as a control group and were asked a similar question using the name CHEROKEE instead.

[26] Answers to this first question varied, but the most popular answer with 32% of responses was Wrangler blue jeans. Those who made reference to Wrangler blue jeans were then probed further and asked to state whether they thought (i) there was no connection between the company that will put out WRANGLER beer and the company that will put out WRANGLER blue jeans, (ii) the beer would be put out with the permission of the company that puts out the jeans, or (iii) the two companies have some kind of business connection. 28.5% thought there was no connection, 18.7% thought there was permission, 28.5% thought there was some kind of business connection and 24.4% had no opinion.

[27] The applicant states now in its memorandum, what it sees as the primary result: ...more than 29% of beer drinkers in Canada are likely to perceive a business connection between WRANGLER beer and WRANGLER jeans...

[28] In my opinion, this is not the case. At best, the applicant can state that 29% of Canadian beer drinkers, who first thought of Wrangler blue jeans when asked the first question are likely to perceive a business connection between WRANGLER beer and WRANGLER jeans. By my unofficial calculation, less than 10% of those not in the control group gave this answer. I would weigh the survey accordingly.

[29] In the end, I would accord the applicant's survey little weight. While the Board member alluded to the applicant's failure to produce such a survey, she stopped far short of indicating that a survey would have tipped the scales in Wrangler's favor."

Decision:

The court was not persuaded by the survey, and upheld the original decision of the T.M.O.B member, dismissing the appeal.

The decision is currently under further appeal, including a challenge to the accuracy of the court's informal calculations based on the survey data.

3. *Ron Matusalem & Matusa of Florida, Inc. (applicant) v. Havana Club Holding Inc., S.A. (respondent)*, 2010 FC 786; Ottawa, July 27, 2010.

The respondent was initially successful in opposing the registration of the respondent's mark "SPIRIT OF CUBA," on the grounds that the mark was deceptively misdescriptive and was not distinctive when used in association with rum.

The applicant appealed and contributed new evidence, including survey evidence, which measured the reaction of Canadian rum consumers to various terms and phrases related to the mark. The court gave little weight to the survey because 1) the questions were not placed in the context of rum, 2) only about half of the respondents could be considered rum consumers, and 3) the results were indecisive.

Analysis:

[15] When determining whether the Mark in its entirety is deceptively misdescriptive, the issue is whether the general public in Canada would be misled into the belief that the product with which the trade-mark is associated has its origin in the place of a geographic name contained in the trademark. One must place oneself in the position of the average Canadian consumer of ordinary intelligence and education who would see the Mark used in association with rum.

*

[35] With respect to the weight to be given to the internet survey conducted by Mr. Guertin, it is of very little assistance in this case. His survey asked two questions: (1) If you were to read the words "The Spirit" on a product, what would be the meaning of "The Spirit" for you? (2) If you were to read the words "The Spirit of Cuba" on a product, what would be the meaning of the "The Spirit" for you?

[36] First, the Court doubts that it is "responsive to the point at issue" (Mattel, at paragraph 44) since it never puts the word "spirit" or "THE SPIRIT OF CUBA" in the context of rum. Again, the relevant question in the Court's opinion is whether the average Canadian consumer of rum would believe that rum sold under the trade-mark "THE SPIRIT OF CUBA" comes from Cuba.

[37] Second, the Court notes that only 506 people out of the 1,054 survey had purchased rum in the previous 12 months. Thus only 48% of those surveyed can be considered consumers of rum.

[38] Third, the survey is not decisive. Even, when asked out of context, 15% of respondents associated "Alcohol/Drink" with the word "The Spirit" (first question), and 13% associated "Cuban Rum" with the

words “The Spirit of Cuba” (second question). Thus, one may argue that on a first impression, a significant number of average Canadian consumers would believe that rum sold under the trade-mark “THE SPIRIT OF CUBA” comes from Cuba.

Decision:

The court dismissed the appeal.

4. *Philip Morris Products S.A. and Rothmans, Benson & Hedges Inc. (Plaintiffs) v. Marlboro Canada Limited and Imperial Tobacco Canada Limited (Defendants)*, 2010 FC 1099; November 8, 2010.

The Plaintiffs launched “Rooftop” cigarettes in 2006 and soon after, the Defendants alleged that the brand infringed on their trade-mark registration for MARLBORO. The Plaintiffs sought a declaration that they were not infringing on the Defendants’ rights to their trade-mark, to which the Defendants responded with a counter-claim alleging that the Plaintiffs were, in fact, infringing.

Survey evidence was submitted by both the Plaintiffs and the Defendants. The Plaintiffs’ survey sought to show there was no confusion as to the source or origin of the product, and the Defendants’ survey sought to show that there was confusion between the two products.

The Plaintiffs submitted two surveys: 1) to test the recognition of the origin or source of the Rooftop package, and 2) to assess consumer views on the origin of the Marlboro Canadian cigarette package.

In the first survey, respondents were shown a Rooftop package and asked various questions including if they had seen the brand before, how they would refer to the brand, and whether or not they associated the package they saw with any other brands. In the second survey, respondents were shown one of two Marlboro cigarette packages or a control product and asked similar questions.

The Defendants also submitted two surveys. In the first survey (“Consumer Survey”) respondents were shown de-branded Rothmans, de-branded Dunhill (these two acted as controls), and the Rooftop packages all at the same time, and asked what they thought the brand name of each package was.

The Defendants’ second survey (“Retailer Survey”), was conducted to test the misidentification by retailers. Mystery shoppers entered stores that sold cigarettes on two separate occasions. On the first visit, the shopper pointed to the Rooftop package and asked the retailer what brand it was. On the second visit, the shopper asked the retailers if they carried Marlboro cigarettes.

Analysis:

With regards to the Plaintiffs' survey results, the Court generally agreed that the two surveys showed that there was no confusion as to the origin or source of the Rooftop product.

[270] The Defendant is right to point out that the percentage of smokers who associated the Rooftop product with the Philip Morris Marlboro is somewhat higher (43%) when one takes into account only those smokers who indicated they had seen the Rooftop products before, as opposed to all the smokers. It is also true that of the 389 smokers surveyed, only 2 referred to the Rooftop product by the name "Rooftop". Counsel for the Plaintiffs stressed that such a result was not surprising, considering that prior exposure to Rooftop was not a prerequisite to entering the study, [omitted]. The fact remains that 89 of the 389 smokers who were shown the Rooftop package answered that they had seen it before, and that only 2 of them identified it as "Rooftop". Finally, the Defendants are also correct in stressing that the smokers who made a connection between the Rooftop product and the Philip Morris Marlboro product did so either because they had previously seen the product outside Canada, or because of the specific package design elements found on the Philip Morris product.

[271] But there is nothing in these further clarifications that detract from Mr. Klein's central conclusion; that is, that there is no confusion as to the origin or source of the Rooftop product. Those respondents, who thought the source of the Rooftop product was Philip Morris, for whatever reason, were clearly not mistaken. Conversely, none of the respondents who called the Rooftop package "Marlboro" associated it with the Defendants' Canadian Marlboro brand.

With regards to the Defendants' surveys, the Court found significant flaws in the manner in which both surveys were carried out and consequently applied little weight to their findings.

Overall, the Court found that:

- The surveys were not designed to evaluate confusion as to the source of the Rooftop packages [para. 273]
- some questions were biased [paras. 274, 275, 277]
- some questions were too broad, leading to poor coding and over emphasis of results [para. 277]
- the Retailer survey lacked current market relevance [para. 276] and did not include random sampling [para. 278]
- interviewers did not follow sampling instructions [para. 280]
- there was strong evidence that interviewers were dishonest and had invented data [paras. 279, 281]

[273] I agree with counsel for the Plaintiffs that these survey results are of limited usefulness to the issues in this case, as the surveys were not designed to evaluate confusion as to the source of the Rooftop products and the Defendants' Canadian Marlboro product...

[274] I also agree with counsel for the Plaintiffs that Dr. Chakrapani's Consumer Study suffers from significant design flaws. First of all, the respondents were told that they were going to be shown "some

cigarette packs with no brand name”. As Dr. Chakrapani stated in cross-examination, this is telling the respondents that there is nothing on the pack that could be considered a brand name. That preamble, combined with the first question “Can you tell me the brand name of the cigarette or not?”, is essentially prompting respondents to assign the missing brand name that had been removed from the packaging rather than to point out any other material on package, such as “PM”. Moreover, it restricts the brand name to a word as opposed to a design.

[275] More significantly, the two mocked-up control packages (the Rothmans and Dunhill packages) were displayed at the same time and on the same board as the Rooftop product. Dr. Chakrapani admitted in cross-examination that anybody familiar with the Rothmans or the Dunhill packs, if it had not been clear from the preamble to the questionnaire, that it would be clear upon seeing the clipboard that the brand names had been removed. Furthermore, respondents might also have thought that the brand name had been removed from the Rooftop package if they were familiar with the international Marlboro brand; in fact, Dr. Chakrapani stated that this is precisely what he was trying to test. With that goal in mind, it was perhaps not surprising that respondents were not told to exclude cigarette products sold outside of Canada. In such a context, respondents could have been led to fill in the missing brand name with reference to any brand name they may have seen associated with that packaging design, irrespective of whether or not they had prior exposure to Rooftop cigarettes. Therefore, limited weight can be attributed to the findings of this study.

[276] The Retailer Study was not designed to measure source confusion either, but was also seriously flawed in its execution. Moreover, it was conducted sometime before the market went dark, thereby diminishing its relevance to the dark market conditions that now exist across Canada.

[277] The first question asked did not concern the name of the no-name product, but “What is that brand?” That led to serious problems of identification, since brand is much broader in meaning and can encompass all different attributes of the product. As such, many retailers apparently gave answers that attempted to describe the product and its attributes, sometimes with reference to “Marlboro”. Such responses, in fact any response which included the word “Marlboro”, were counted and attributed as a “misidentification” of Rooftop cigarettes as Marlboro cigarettes. For example, responses such as “Those are American Marlboro” or “It’s Marlboro. It’s a Canadian type of Marlboro. It’s a Canadian-American Blend. It’s like a Marlboro. I can’t remember the name” were coded and reported as Marlboro “misidentifications”. The lack of specificity in not asking for the “brand name” was therefore further compounded by Dr. Chakrapani categorizing any mere mention of “Marlboro” as a “misidentification”. As a result, it cannot accurately be said that 32% of retailers “misidentified” Rooftop cigarettes as “Marlboro”; at most, one could say that 32% of retailers made some mention of the word “Marlboro” when describing the brand.

[278] The Retailer Study was also very seriously flawed in terms of execution. First, the retail locations were not randomly chosen. The selected sample of retailers should have been obtained by random sampling such that each and every retailer operating in the geographic area has a known probability of being selected. Instead, the retail locations were simply taken from a limited list of retailers received from counsel for the Defendants. Without knowing anything about how the list was generated, combined with the complete lack of random sampling, the results of that study must be considered with great caution.

[279] Second, the implementation of the study was further seriously undermined by the interviewers themselves. They did not follow Dr. Chakrapani’s explicit instructions. While the interviewers were instructed to write down all answers “verbatim”, it is abundantly clear from the response sheets that such reporting did not occur. Both in Toronto and in Montreal, upwards of 25% of the response sheets had identical wording for what apparently transpired at the retail store and communicated no verbatim responses at all.

[280] This two-phase aspect of the Retailer Study design is also problematic. There were no instructions given to the interviewers on whether to return to the store for the second visit at the same time of day or to deal with the same clerk that they had interviewed earlier, or in contrast, to seek out a clerk different than the clerk they had dealt with on the first visit. Some interviewers did not follow the instructions properly and did the second interview later on the same day within a matter of hours. Moreover, from the records it is impossible to know whether the same clerk was dealt with on the second visit. As a result, the first visits may well have had an influence on the second ones. For example, asking questions about the Rooftop product and then later returning for a second visit that same day and asking the same clerk for “Marlboro” cigarettes could result in seriously skewed results if during the first visit, the clerk had explained, for example, that Rooftop cigarettes were similar to the international Marlboro and recalled the conversation from the previous visit. It would not, therefore, be unusual for that clerk to offer the Rooftop package to that same individual, when he returns on his next visit and asks for “Marlboro”.

[281] The Retailer Survey also showed dramatic differences in results as between the four cities with an apparent 79 retailers in Toronto being coded as “misidentifying” Rooftop cigarettes as “Marlboro”, while there were only eight from Montreal, eight from Vancouver, and thirty from Edmonton to do the same. Dr. Chakrapani had no explanation for this very large divergence in results. Moreover, a large number of response sheets for Montreal and Toronto indicated the exact same answers to the question “Do you carry Marlboro?”. The answers, “Yes, the Retailer handed to me Rooftop” and “Pointed to no-name brand Rooftop” were presented as being recorded verbatim many times over. This curious repetition of precise wording to describe what happened at so many Toronto and Montreal locations, which stands in stark contrast to the much more fulsome verbatim answers recorded in Vancouver and Edmonton, is suspicious, to say the least. Combined with the dramatic differences in reported results amongst the four cities for which Dr. Chakrapani had no explanation, it suggests the possibility of dishonest interviewers inventing data; the fact that no verification was undertaken does nothing to alleviate this unfortunate possibility.

[282] What shall the Court make of the survey evidence presented by both parties? Despite the shortcomings of Dr. Chakrapani’s surveys identified above, I am prepared to accept that there is a significant degree of confusion how to refer to the no-name product, especially among consumers. A large number of respondents seem to associate the Plaintiffs’ product to the international PM Marlboro, for a variety of reasons, although more commonly in the case of the consumers than the retailers. Are these facts sufficient to conclude that the Plaintiffs’ use of their ROOFTOP Design Trade-marks is likely to create confusion with the Defendants’ MARLBORO trade-mark? I do not think so.

Decision:

Regardless of the flaws in the Defendants’ survey, the Court found a significant degree of confusion among consumers on how to refer to the Rooftop product, but the Court did not agree that this type of confusion was enough to create confusion between the ROOFTOP design and the MARLBORO trade-mark.

The Court decided in favor for the Plaintiffs. The Plaintiffs were entitled to a declaration that the use of their ROOFTOP design mark did not infringe on any rights of the Defendants. The Defendants’ counterclaim was dismissed.

5. *Masterpiece Inc. (applicant) v. Alavida Lifestyles Inc. (respondent) (Federal Court) (Civil) (By Leave) 33459.*

Both parties work in the retirement living industry, but in two different geographic locations in Canada. In late 2005/early 2006, the Applicant began using the unregistered mark MASTERPIECE LIVING, and around the same time the Respondents applied for and were granted the mark MASTERPIECE LIVING. Later in 2006, the Applicant applied for the mark but was denied because the Respondent had already applied for the same mark.

As such, the Applicant sought to expunge the Respondent's mark on the ground that it was confusing as of the date of registration, and submitted survey evidence to support its case. The Court found that there was no likelihood of confusion between the trade name and marks on or before the time of registration (*Masterpiece Living Inc. v. Alavida Lifestyle Inc.* 2008 FC 1412).

The decision was upheld on appeal, and escalated to the Supreme Court of Canada, that heard it on December 8, 2010. The appeal can be viewed by webcast at: <http://www.scc-csc.gc.ca/case-dossier/cms-sgd/webcasts-webdiffusions-eng.aspx?ya=2010&ses=01&sr=Search>. Survey research played a supporting role to an expert marketing opinion submitted by the Appellant.

The appellant has asked the Supreme Court to determine the following¹:

- Whether the courts erred in finding that there can be no likelihood of confusion between two trade-marks unless they are currently in competitive use in the same geographic area;
- Whether the courts erred in finding that the likelihood of confusion between two trade-marks can be overcome by the manner in which one is actually used after the relevant date (i.e. by the "get-up" extraneous to the mark itself);
- Whether the courts erred in finding that there was no likelihood of confusion between the Respondent's "Masterpiece Living" and the Masterpiece Inc. trade name and trade-marks in use prior to the relevant date;
- Whether the courts erred in refusing to order expungement.

6. Setting of royalties paid by commercial radio stations for the use of music. Copyright Board of Canada. Collective Administration of Performing Rights and of Communication Rights. July 9, 2010

Five different collective societies – 1) SOCAN (Society of Composers Authors and Music Publishers of Canada), 2) Re: Sound (RE: Sound Music Licensing Company), 3) CSI (jointly Canadian Musical Reproduction Rights Agency and the Society for Reproduction Rights of

¹ Adapted from the summary at: <http://www.scc-csc.gc.ca/case-dossier/cms-sgd/sum-som-eng.aspx?cas=33459>

Authors, Composers and Publishers in Canada), 4) AVLA/SOPROQ (jointly the Audio-Video Licensing Agency and the *Société de gestion collective des droits des producteurs des phonogrammes et de vidéogrammes du Québec*), and 5) ArtistI -- applied to the Copyright Board of Canada to increase the tariffs that commercial radio stations pay for playing their respective repertoires.

The Canadian Association of Broadcasters (CAB) objected to the increase of the tariffs.

CAB submitted a study that evaluated the use of music on Canadian commercial radio stations and how music is received and copied at music-based radio stations. With regards to the tariff paid to ArtistI, CAB argued that "...the ArtistI tariff should only be payable by French language stations and a nominal ArtistI rate should be set for English language stations to reflect the possibility of occasional repertoire use." (para. 246)

Analysis:

The Board disagreed with CAB on the matter of the tariff payable to ArtistI because of the following reasons:

[246]["...First, the repertoire adjustment is based on a survey that included both French and English language stations. The adjustment thus already takes into account the fact that the use of ArtistI's repertoire by English language stations is low. Second, stations not using ArtistI's repertoire do not have to pay royalties to ArtistI. Third, ArtistI's rate is already minimal and a nominal rate to reflect the possibility of occasional repertoire use would be insignificant."

Decision:

The Board decided to use gross income as the tariff base for all the collectives (para. 288). For commercial radio stations with gross incomes greater than \$1.25 million, the tariffs for SOCAN and Re: Sound remained unchanged, the rate for CSI increased from 0.8 to 1.2%, and two new tariffs were created payable to AVLA/SOPROQ at 1.2% and ArtistI at 0.02%.