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In this issue: Internet Domain Name Disputes in Canada: ADR or Litigation?

Canadian Thermos Products Inc. v. Fagundes

Alternative dispute resolution (ADR) has not worked well for trademark and conflicting domain-name owners in a good many domain-name disputes in Canada . The officially available ADR procedure in Canada operates pursuant to the Domain Name Dispute Resolution Policy of the Canadian Internet Registration Authority (CIRA). In our November 2005 Newsletter, we reported that Microsoft owns a number of trademarks comprising or prefixed by the letters MSN, and owns the domain name <msn.ca>. Nevertheless, in Canadian ADR proceedings, Microsoft failed in its case against Microscience Corp., who had registered the domain name <msnsearch.ca>. Unfortunately, this result is typical.

Among other problems with ADR, the CIRA panel in the subject *Canadian Thermos* case observed:

The procedure contemplated by the Policy is not well suited to the kinds of factual determinations involved in a conventional confusion analysis applied in trademark infringement disputes. In particular, ...panels must make factual determinations based on written submissions and documentary evidence, complainants have no right of reply without the panel’s permission, and parties are often not represented by counsel.

Canadian Thermos also exposes more substantial weaknesses in CIRA’s ADR procedure. The facts were these: The Complainant owns the registered trademark THERMOS. It and its predecessors have used the mark in Canada for approximately a century. In litigation some years ago, the court found that although “thermos” was used descriptively by some Canadians in some contexts, the word was also recognized as a distinctive trademark by a substantial number of Canadians, so the validity of the THERMOS registration was upheld. THERMOS is unique on the Canadian Register; no trademarks exist on the Register that contain THERMOS other than those owned by the Complainant. In a five-year period, the Complainant had sold over \$100 million worth of products in association with its THERMOS trademark. The CIRA panel found that the trademark was very well known to Canadians, and did not dispute the Complainant’s contention that THERMOS is a famous mark, but this finding did not help the Complainant.

The Registrant Michael Fagundes obtained a master’s degree in relation to thermo fluids. He operated a graphic design business known as “Thermo’s Design Group”, abbreviated as “Thermo’s”. He registered and used the domain name <thermos.ca>. The domain name identified the Registrant’s website that was used only to provide mock-ups of the Registrant’s graphic designs to his customers.

The CIRA panel had no difficulty in concluding that the impugned domain name was “confusingly similar” to the Complainant’s trademark. However, that finding does not suffice to enable the Complainant to prevail; the Complainant must also prove that the Registrant registered the domain name in bad faith. Under the CIRA ADR, the Complainant must prove one of the following three bases for bad faith:

- i) the Registrant registered or acquired the domain name for the primary purpose of transferring or licensing it for profit to the Complainant or to someone associated with the Complainant; or
- ii) the Registrant registered or acquired the domain name for the purpose of preventing the Complainant from registering its trademark as a domain name, and this is part of a pattern of such activity by the Registrant; or
- iii) the Registrant is a competitor of the Complainant or someone associated with the Complainant, and registered or acquired the domain name for the primary purpose of disrupting the business of the Complainant or associated person.

In the case before the panel, it was proved that the Registrant had offered to sell the domain name to the Complainant, but only pursuant to settlement discussions. The panel ruled that evidence arising out of settlement discussions is not admissible. This is consistent with evidentiary policy in the courts. The Complainant failed to establish any of the other possible bases for a finding of bad faith. Rather, on the facts, the panel found that the primary purpose of the registration was to assist the Registrant in the conduct of his business, so bad faith was not proven. Accordingly, the Complainant failed in its case.

It would be expected that on these facts, the Complainant would have had an appreciably better chance of success as Plaintiff in litigation, preferably in the Federal Court. In court proceedings, the Plaintiff might be expected to prove that

- a) its trademark THERMOS is very well known and is either famous or very close to being famous;
- b) the first impression of an internet browser on seeing or accessing <thermos.ca> is that such would identify a website operated by or associated with the Plaintiff; and
- c) weighing all the factors, the impugned domain name is confusing with the Plaintiff’s business name and trademark.

The Plaintiff might obtain no damages or perhaps only nominal damages, but importantly, would expect to obtain a suitable injunction, including an order that the Registrant transfer the domain name to the Plaintiff.

There are some circumstances in which CIRA’s ADR procedure may be suitable. Certainly if there is a reasonably good case for confusing similarity and strong evidence of the registrant’s bad faith, ADR can be considered. Also, if the parties do not compete and the impugned domain name is of subordinate interest to the complainant, ADR would cost less than litigation. Of course, both parties incur significant expense when one of them resorts to litigation, and that fact can induce early settlement of the dispute.



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