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OFFICIAL MARKS UNENFORCEABLE RULES FEDERAL COURT IN LITIGATION OVER “SPIRIT BEAR”

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A recent decision by Canada’s Federal Court has ruled that official marks owned by the City of Terrace, in British Columbia and the Kitsoo Band Council, in the same province, are unenforceable and cannot be asserted against a manufacturer of spirits using the unregistered trade-marks SPIRIT BEAR VODKA, SPIRIT BEAR GIN and SPIRIT BEAR ESPRESSO INFUSED VODKA (*City of Terrace and Kitsoo Band Council v. Urban Distilleries Inc.*, 2014 FC 833 (F.C.), Martineau J., September 2, 2014).

The Kermodei bear is known as the “spirit bear” in British Columbia. According to information provided to the Court, it is a sub-species of the black bear, a rare white variant. The spirit bear has played an important role for successive generations of aboriginal groups in British Columbia. Because of its important cultural aspects, the Kitsoo Band Council applied for the SPIRIT BEAR mark as an official mark in November 2006. Accordingly, the Registrar of Trade-marks gave public notice on December 20, 2006 that SPIRIT BEAR had been adopted and used by the Kitsoo Band Council as an official mark.

Official marks are a special feature in Canadian trade-mark law. The owner of an official mark is granted specific rights flowing from paragraph 9(1)(n)(iii) of Canada’s *Trade-marks Act*, R.S.C. 1985, c. T-13 (the “Act”). This paragraph provides in part that no person shall adopt in connection with a business, as a trade-mark or otherwise, any mark consisting of, or so nearly resembling as to be likely to be mistaken for, [...] any badge, crest, emblem or mark [...] adopted and used by any public authority, in Canada as an official mark for wares or services, [...] in respect of which the Registrar [of Trade-marks] has, at the request of [the] public authority [...] given public notice of its adoption and use. An official mark can only be adopted and used by a public authority (as opposed to any private commercial entity). A public authority has been described as an entity that is subject to government control and engages in activities that benefit the public (*United States Postal Service v. Canada Post Corporation*, 2007 FCA 10). An application for an official mark escapes the scrutiny of the usual trade-mark examination process by the Registrar of Trade-marks. As can be seen from paragraph 9(1)(n)(iii), it provides clear advantages to its

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owner in allowing a claim against anyone using, as a trade-mark or otherwise, any mark consisting of, or so nearly resembling as to be likely to be mistaken for the official mark.

In this instance, the City of Terrace, British Columbia, also applied for the official mark SPIRIT BEAR. Its application was filed earlier than the one submitted by the KITASOO Band Council so that the public notice of its adoption and use of the mark was given by the Registrar of Trade-marks more than two years earlier, on January 21, 2004. While both the City of Terrace and the KITASOO Band Council are each applicant of record for the SPIRIT BEAR official mark (since there is no examination process that would permit the refusal of the second identical mark) and while there might have been some friction between the two in the beginning, they now share use of the SPIRIT BEAR mark through a licencing agreement. Both applicants also licence SPIRIT BEAR to others when they consider it appropriate.

In January 2011, Urban Distilleries Inc. commenced the manufacture of spirits under the unregistered trade-marks SPIRIT BEAR VODKA, SPIRIT BEAR GIN and SPIRIT BEAR ESPRESSO INFUSED VODKA. These trade-marks appear on Urban Distilleries' packaging along with its trade-name, that is also prominently used as a trade-mark.

Earlier, in 2010, Urban Distilleries had filed an application to register the trade-mark SPIRIT BEAR VODKA. While the Examiner at the Trade-marks Office appeared satisfied that Urban Distilleries' trade-mark was registrable and allowed it to be published for opposition purposes, the City of Terrace and the KITASOO Band Council opposed the application. As Urban Distilleries decided not to defend its application, its mark was deemed abandoned in September 2011. Urban Distilleries decided however to continue using this trade-mark and other unregistered SPIRIT BEAR marks in association with its products.

On August 22, 2013, the City of Terrace and the KITASOO Band Council commenced proceedings before Canada's Federal Court in order to obtain injunctive relief against Urban Distilleries. The Plaintiffs sought from the Court an order against Urban Distilleries to destroy its products not already on the market and to surrender its profits flowing from the sale of its products under the SPIRIT BEAR trade-mark. In its defense and counterclaim, Urban Distilleries claimed that the Plaintiffs' official marks were unenforceable as there had been no adoption and use of them prior to the public notice given by the Registrar of Trade-marks. Urban Distilleries also alleged that each Plaintiff was not a public authority and that, in any event, the use by Urban Distilleries of any type of SPIRIT BEAR trade-mark was not likely to cause any type of confusion.

On April 29, 2014 both Plaintiffs filed a motion for summary judgment asking the Court to consider several issues, including: "1) are the [P]laintiffs public authorities entitled to registration of an official mark under paragraph 9(1)(n)(iii) of the Act; 2) have the Plaintiffs shown adoption and use as of the relevant date, the date of

publication of the official mark; 3) do the Urban Distilleries unregistered marks consist of or so nearly resemble as to be likely to be mistaken for the Plaintiffs' official mark SPIRIT BEAR under section 9(1) of the Act; and 4) do any of the limitations period, estoppel or laches arguments apply?".

While various issues were raised by the Plaintiffs, the Court examined Plaintiffs' claims that they each had established the adoption and use of their respective official marks as of the date of publication of each public notice given by the Registrar of Trade-marks since, in the Court's view, this was the determinative issue. Should the Plaintiffs' evidence not establish their adoption and use of their respective official marks, the Court could then declare their marks unenforceable and reject their claims against Urban Distilleries.

While adoption can be established by a simple statement, use of an official mark by a public authority can be evidenced by any public display of the official mark prior to its publication by the Registrar of Trade-marks. The official mark must also be associated with a particular ware or service.

The city of Terrace submitted evidence that it had discussed Kermodoi bears on its website. However, SPIRIT BEAR as a mark was not shown. City communications referring to SPIRIT BEAR were described by the Court as internal documents. Even in internal city correspondence, in the Court's view, it was unclear whether the expression "spirit bear" was used as an official mark since it did not stand out from the surrounding material. Finally, in the examples of use submitted, there did not appear to be any public display of SPIRIT BEAR or that it was used as a mark in any traditional sense.

The evidence submitted by the Kitasoo Band Council also appeared problematic. The Court described in its reasons (at par. 15) the difficulties associated therewith: "There is no doubt that the spirit bear plays an important role to many aboriginal groups. The affiant Douglas Neasloss, a member of the Kitasoo Band Council, states that the spirit bear has been part of his band's culture for generations. Included as evidence, is a diary entry of hereditary Chief Ernest Mason Jr., provided to the Court. This is hearsay evidence. The diary entry was photocopied October 21, 2013, according to Larry Greba, who hand-wrote this fact on the photocopy. Larry Greba is not an affiant in this proceeding. The entry is undated and non-contemporaneous; it is unclear when the events mentioned occurred. The affiant states they occurred in 2002. The diary entry discusses a spirit bear mask carving, a composition titled "song for the spirit bear", and a living, breathing spirit bear visiting the site of a newly erected replica big house. While the spirit bear is important in the Kitasoo culture, this is not enough to rise it to the level of use on wares or services contemplated for an official mark."

According to the Court, the Plaintiffs' evidence failed to establish that they had used their respective official marks as of the relevant dates (when each was given public notice of its adoption and use by the Registrar of Trade-marks). The Court concluded

that both official marks were unenforceable. Urban Distilleries' counterclaim was also allowed.

While some in the legal community have questioned the privileged position given under Canadian trade-mark law to official marks, the proof of use of such marks is not without some difficulties as this decision illustrates. Any public authority who requests that public notice be given of its adoption and use of an official mark should make sure to adequately document the display of its mark as an official mark before it presents its application to the Registrar. Should this documentation be defective in any way, it might find itself licking its wounds as in the present case.

On October 2, 2014, the Kitasoo Band Council filed a Notice of Appeal before the Federal Court of Appeal (file A-436-14) against the Court's decision.



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