

## DIAMONDS AND POLAR BEARS: INTERLOCUTORY INJUNCTION IN THE CASE OF COPYRIGHT, TRADE-MARK AND OFFICIAL MARK INFRINGEMENT

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The Federal Court of Canada recently considered whether it should grant an interlocutory injunction in the context of a dispute between parties as to who is entitled to use a polar bear trade-mark, in association with the diamond industry in Canada (*North West Territories vs. Sirius Diamonds Ltd.*, T-822-00, June 26<sup>th</sup>, 2001, Hansen, J.)

### Background

#### The Applicant

The discovery of significant diamond reserves in the North West Territories prompted the Government of the North West Territories (hereinafter "**GNWT**"), to develop both employment and economic benefits to the North West Territories by investing in both the primary and secondary diamond industries. The **GNWT** created a certification program in which the **GNWT** attests to the origin and quality of the diamonds mined and manufactured in the North West Territories, enabling consumers to purchase diamonds, confident that they originate in the North West Territories and are mined, cut and polished in accordance with the **GNWT's** environmental and labour laws.

#### The Respondents

Sirius Diamonds Ltd. is a diamond wholesaling business, operating a small diamond-cutting facility in Victoria while Sirius Diamonds NWT Ltd. is a company which cuts, polishes and markets diamonds mined in the North West Territories (hereinafter collectively referred to as "**Sirius**").

### The facts

The applicant, the Government of the North West Territories (hereinafter "**GNWT**"), sought an interlocutory injunction in an attempt **Sirius** from using a polar bear mark, pending trial, in association with the diamond industry.

The **GNWT** asserts copyright, trade-mark and official mark rights based on its adoption and registrations of various depictions of polar bears as marks indicative of itself and its ventures into the diamond industry and in association with its certification program, against **Sirius'** adoption of a trade-mark depicting a polar bear in association with its emerging Canadian diamond business and more particularly the wholesale of both loose and set diamonds, marketing of same and other associated services (**Sirius** also filed two applications for polar bear design marks in association with loose and set diamonds and the wholesale of such diamonds and other inherently related services).

The relationship between the parties is of interest, since **Sirius** being active in the secondary diamond industry, had a working relationship with the **GNWT** when the latter invited the former and other diamond manufacturers to begin operations in the North West Territories and to participate in the **GNWT's** certification program. **Sirius** elected to adopt a polar bear graphic trade-mark early on in its collaboration with the **GNWT**. **Sirius** also initiated its own diamond authentication program by laser-dash etching its polar bear logo onto the girdle of its diamonds and issued a certificate of origin for such etched diamonds, certifying that they were mined, cut and polished in Canada.

The **GNWT** took exception to **Sirius'** adoption of its polar bear graphic trade-mark in association with the diamond industry by submitting that its intellectual property rights (copyrights, trade-marks and official marks) related to the diamond industry precluded **Sirius'** adoption and use of its polar bear marks in association with the diamond industry. It is interesting to note that the **GNWT** had clearly stated to **Sirius** that without its participation in its own certification program, the **GNWT** would not permit **Sirius** to use any trade-mark that the **GNWT** considered infringed its intellectual property rights in the **GNWT** marks.

### **The interlocutory injunction**

Its is trite law that the Federal Court of Canada assesses the merit of interlocutory injunction applications on the basis of a cumulative three-part test:

(1) the applicant must show that it has a serious issue to be tried;

- (2) the applicant must satisfy the Court that it will suffer irreparable harm if the injunction does not issue;
- (3) the balance of convenience must favour granting the injunction.

In the case at bar, the issue of the existence of *a serious issue to be tried* constituted no obstacle for the **GNWT**. The first part of the test having been met, the **GNWT** attempted to convince the Court that it did not need to establish the other two criteria, namely irreparable harm or the balance of convenience for the following reasons:

- a) it had established a *prima facie* case of "blatant copying" in relation to the **GNWT** copyrights;
- b) it had established a *prima facie* case of trade-mark infringement in relation to the **GNWT** trade-mark registration.

The **GNWT** further asserted that it did not need to establish irreparable harm or the balance of convenience at all in relation to the **GNWT** official marks.

The Court declined to follow the **GNWT** on all three of its assertions and upon review of the evidence and the case before it, the Court concluded that it was not appropriate to depart from the tripartite test, in respect of *any* of the claims raised by the **GNWT**, including its official mark claims. The Court nevertheless stated that while there is a possibility of granting an injunction in the absence of irreparable harm under certain circumstances, there was nothing in the present case that warranted such an approach.

On the issue of *irreparable harm*, the Court ruled that evidence supporting limited inference of consumer confusion is insufficient to prove irreparable harm. Moreover, the Court refused the **GNWT's** argument that the Court was to infer harmed goodwill from a likelihood of consumer confusion and that such inferred harm is irreparable in nature. The Court clearly stated that evidence that an applicant will suffer irreparable harm must be clear and non-speculative and the mere infringement of intellectual property rights does not, of itself, constitute irreparable harm.

On the issue of the *balance of convenience*, the Court concluded that same weighed in favour of the **GNWT**. However, not having met the test of irreparable harm, the Court refused to grant the interlocutory injunction to the **GNWT**.

From a legal perspective, one of the more important aspects of this case is the Court's refusal of the proposition that an applicant need not establish either irreparable harm or the balance of convenience to obtain an

interlocutory injunction in respect of official mark infringement. The Court's findings in the case at bar are a potent reminder that the threshold for obtaining an interlocutory injunction in cases of infringement of intellectual property rights remains high. From an anecdotal point of view, regardless of the party which may eventually claim rights in the polar bear graphic marks in association with the diamond industry, will the day come when we may cease associating the polar bear with harsh winters and snowstorms and actually relate it instead to "a girl's best friend" ?

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