COURT EXAMINES ALLEGATION OF TRADE-MARK INFRINGEMENT IN PERKOPOLIS CASE

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In a decision that underlines the risks of using and registering trade-marks having little inherent distinctiveness, Canada's Federal Court dismissed claims of trade-mark infringement brought by a company who owned the trade-marks WORKPERKS, ADPERKS, MEMBERPERKS and CUSTOMERPERKS against the user of the trade-mark PERKOPOLIS (Venngo Inc. v Concierge Connection Inc. et al., 2015 FC 1338 (F.C. Manson J., December 3, 2015)).

Plaintiff Venngo Inc. ("Venngo" or the "Plaintiff") is known as a "Commercial Program Provider" that offers discount, benefit and incentive programs to its customers, namely Canadian companies and professional organizations, who sign contracts with Venngo so they can offer these discounts on various products and services (for example movie tickets, car rentals, fitness clubs, etc.) to their employees as benefits in addition to wages or salaries (paragraph 2 of the Court's reasons). Venngo was founded in 2000 and in 2007, it adopted the trade-marks WORKPERKS, MEMBERPERKS and ADPERKS to promote its discount programs. Applications for these trade-marks were filed in 2007 and registration was eventually secured for the marks between April 2009 and February 2011 for various goods and services including providing packaged employee saving and added value programs delivered online and through printed publications.

Defendant Concierge Connection Inc. ("CCI" or the "Defendant") was incorporated in 2001 and is in the business of offering an "Employee Discount Ticket and Attraction Program" to its customers. As early as 2002, it used the word "perks" to describe the discounts it offered to its clients. In 2005 or 2006, Venngo approached CCI and proposed that the parties collaborate to offer CCI's services on Venngo's website. Ms. Morgan Marlowe, President and Founder of CCI, met with Mr. Brent Stucke, the Chairman and Founder of Veengo. No deal was concluded at that time, nor later in July 2010 when Mr. Stucke offered to partner with Ms. Marlowe.

On November 28, 2008, CCI applied to register the trade-mark PERKOPOLIS on the basis of proposed use and registration of the mark was secured on March 1, 2011 in

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association with “Entertainment ticket sales, and Hotel booking services”. Use of the PERKOPOLIS trade-mark by CCI commenced in February of 2009.

Venngo became aware of the activities associated with the trade-mark PERKOPOLIS in 2009. In 2011, Venngo filed its suit in Federal Court and claimed that CCI along with Ms. Marlowe infringed its rights in its family of registered Canadian trade-marks ending in “PERKS” through the use of the trade-mark PERKOPOLIS. It also alleged passing off along with depreciation of Venngo’s goodwill.

In support of its claim, Venngo pointed to circumstances of alleged actual confusion from its customers and end-users that commenced as early as January 2010. For example, Venngo provided testimony from a third party witness dealing with human resources professionals who believed that the marks WORKPERKS and MEMBERPERKS were connected to PERKOPOLIS due to the common characteristic between them, namely “perk” or “perks”. Another example of confusion between WORKPERKS and PERKOPOLIS came from human resources professionals at Magna International.

In his reasons, Mr. Justice Manson first dealt with the claim against Ms. Marlowe. On this issue, the Court referred to the test that must be satisfied for finding an officer or director of a corporation personally liable, namely the identification of some conduct on the part of the directing mind that is either tortious in itself or exhibits a separate identity or interest from that of the corporation such as to make the acts or conduct complained of those of the directing mind (Tommy Hilfiger Licensing Inc v Produits de Qualité IMD Inc, 2005 FC 10 at paragraphs 140-142). No such finding was made in this case. Ms. Marlowe’s actions concerning the adoption of the PERKOPOLIS trade-mark did not suggest any bad faith on her part and the claim against her was dismissed.

The Court then considered the issue of alleged confusion between Venngo’s trade-marks and CCI’s PERKOPOLIS trade-mark. The Court asked, as a matter of first impression, whether the relevant public (primarily the HR decision makers of the parties’ customers, but also end-users of the services offered by the parties) would be confused or likely to be confused into thinking that the source of the services under the trade-mark PERKOPOLIS was the same as or associated with the source of Venngo’s services offered under the WORKPERKS, ADPERKS, CUSTOMERPERKS or MEMBERPERKS trade-marks (paragraph 105 of the Court’s reasons).

The Court first examined the issue of the degree of resemblance between the marks which Canada’s Supreme Court identified as the factor most likely to have the greatest effect on the confusion analysis (Masterpeace Inc v Alavida Lifestyles Inc, 2011 SCC 27 at paragraph 49).

The Court proceeded to examine the marks globally as the relevant consumers would encounter them. However, at the same time, the Court indicated it could and

should have regard to a dominant component in the mark if that component is particularly striking, such that it affects the overall impression of the average consumer (paragraph 108 of the Court's reasons). The Court found that the expressions "perk" or "perks" as used in Venngo's trade-marks were highly suggestive and hardly distinctive. The Court compared each of Venngo's trade-marks with the trade-mark PERKOPOLIS as used by CCI and concluded that it was readily apparent that there was little resemblance in either appearance, sound or in the ideas suggested by each mark. For example, each of Venngo's marks suggested perks being offered to a specific group or in a specific circumstance while PERKOPOLIS did not suggest any group that would benefit from the perks. Finally, the element of resemblance between the parties' respective trade-marks was the word "perk" whose meaning includes employee benefits, rewards and extras (paragraph 114 of the Court's reasons).

The Court then considered the inherent distinctiveness of Venngo's trade-marks and concluded that they were at best highly suggestive, if not descriptive, of the benefits and loyalty discount services offered by the Plaintiff. Furthermore, the Court decided that there was nothing remarkable or unique about the use of "perk" in each of Venngo's trade-marks, or its combination with words indicating to whom the perks were offered (paragraph 117 of the Court's reasons). Of Venngo's trade-marks, the Court wrote at paragraph 119 of its reasons: "As such, each of these [marks] has little inherent distinctiveness and are afforded a narrow ambit of protection (Office Cleaning Services v Westminster Window and General Cleaning Ltd, [1946] 63 RPC 30 at 42, 43). This factor favours the Defendants in that the case law supports the view that weak marks can enable small differences to result in a lack of a likelihood of confusion (Molson Cos v John Labatt Ltd, [1994] FCJ No 1792 at paras 5, 6 (FCA) [Molson]; Kellogg Salada Canada Inc v Canada (Registrar of Trade Marks), [1992] 3 FC 442 (FCA))".

The Court easily determined that the nature of the parties' respective businesses did overlap and that Venngo's use of its trade-marks was longer than CCI's use of its PERKOPOLIS trade-mark.

As other surrounding circumstances, Venngo raised the issue of the examples of actual confusion that allegedly supported its claim of infringement. While the Court did examine the issue of actual confusion, it appeared reluctant of providing broad protection to a trade-mark, such as the ones owned by Venngo, that used descriptive or highly suggestive words as a basis for a claim of distinctiveness and alleged confusion (paragraph 124 of the Court's reasons). The Court did not attribute much weight to the cases of alleged actual confusion as these instances did not sufficiently negate or outweigh the other factors that supported CCI's defense that the parties' trade-marks were not source of confusion. In other words, actual confusion was not a "trump card" that overrides the other factors that must be examined in a confusion analysis (paragraph 125 of the Court's reasons).

In the end, the limited evidence of confusion was insufficient to convince the Court that the casual consumer somewhat in a hurry would confuse the Venngo and CCI trade-marks since both parties adopted a generic term within their marks and that these marks can only be granted a very narrow ambit of protection. Venngo's claim was accordingly dismissed. The other claims based on passing off and depreciation were also dismissed as the evidentiary burden in each case was not satisfied.

While businesses have an interest in choosing trade-marks that convey a clear message, once they choose a trade-mark that is descriptive of the nature of their trade, it will be difficult to enforce such trade-mark against competitors who use the same word or expression as part of their own trade-marks in association with similar activities. As a general principle, such words or expressions should remain available to all and unless the trade-marks at issue are virtually identical, small differences between the marks should be sufficient to avoid any likelihood of confusion.

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