

scanning the smart tag, supply chain partners, customers, and authorities will be able to check the authenticity of the goods and their supply chain.

Even if the specific tag was counterfeit, i.e., it was duplicated starting from that of the original product, counterfeiting will still be detected. In fact, scanning the duplicated tag would reveal that the dealer does not belong to the supply chain for that product, meaning that the product and its tag are both counterfeit.

## Transfer and Licenses

Transfer and licenses of IP rights can be made simpler through the use of a blockchain thanks to smart contracts residing therein. These are basically self-executing software that causes the automated execution of certain actions when certain conditions

are met. IP right holders can use them, amongst others, to:

- sell their IP rights upon receipt of a certain payment: “if user X pays Y, then property over IP right Z shall be transferred to user X”;
- authorize the use of certain copyright works upon receipt of a certain payment: “if user X pays Y, then user X can download a digital copy of the work Z”;
- collect royalties: “if work Z generates revenues on user X’s account, then Y% of these revenues shall be transferred from user X’s account to the rightsholder’s account”.

These are of course just a few examples. Needless to say, IP license agreements are more complex than this and, for the time being, smart contracts appear unsuitable to include all of the relevant conditions. Nevertheless,

as shown by the above examples, they can make the implementation of the agreement extremely efficient and predictable.

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## Brand Licensing Trademark Troll Loses Registration after Appropriating Well-Known Mark

**Daniel Anthony and Reagan Seidler**

The Federal Court of Canada, in a May 2022 decision,<sup>1</sup> has ordered a B.C. man’s trademark registration to be expunged for “bad faith” after finding it was filed solely for the purpose of resale. This is the first decision in Canada applying the new bad faith ground for trademark

expungement, added to the *Trademarks Act* in 2019.

The trademark registration in question copied the logo of a well-known restaurant chain in China with whom the applicant had no affiliation.

Brand owners will welcome the decision as confirming Canada’s

stance against would-be trademark squatters. The decision also highlights the benefit of monitoring advertised marks in Canada for opposition purposes, which provides a less-expensive route to blocking bad-faith applications before they get registered.

## Background

Beijing Judian is the owner of a popular restaurant chain in China. Building on its profile at home, the chain expanded to Canada in 2018 with initial



locations in B.C. and Toronto. Among the trademarks used at these restaurants is the following JU DIAN & Design:

Unbeknownst to Beijing Judian, a man named Wei Meng had previously applied to register this mark in Canada in June 2017 (along with the logos of several other popular Asian restaurant chains). Since the application was unopposed before the Trademarks Office, it proceeded to registration in April 2019.

One week after obtaining registration, Meng visited a Beijing Judian-affiliated restaurant in Vancouver and demanded to speak to the owner. Finding a manager, Meng told her Beijing Judian “stole his trademark” and insisted he had “the paperwork in Canada” for the same. This was followed by a demand of \$1.5 million to acquire the mark in a subsequent meeting. Meng then sent a letter stating he would contact the “registry department” and the Canadian Revenue Agency if Beijing Judian did not stop using the JU DIAN Trademarks within one week.

The company refused. Within a month, Beijing Judian became aware that Meng was advertising the sale of the registration online. In response to an inquiry sent by a contact of Beijing Judian, Meng acknowledged Beijing Judian was a well-known brand:

*If you open a store with no reputation, you'll lose even more money ... You can search Judian Chuan Ba on Baidu and you will see how many stores are in Beijing. Anyone in the industry knows powerful brands attract customers.*

In March 2021, Beijing Judian filed an application to the Federal Court of Canada seeking to strike

Meng's registration from the Register as well as damages, an injunction for passing off, and court costs.

## ***Beijing Judian Restaurant Co. Ltd. v Meng***

In a brief decision, Justice Furlanetto expunged Meng's mark from the trademark Register. She acknowledged, first, that filing for a trademark used by someone else in another country is not *in itself* enough to invalidate a registration.

In this case, however, all the evidence indicated Meng registered the mark with the intention of extorting money from Beijing Judian or using its reputation to obtain money from others. The court found it implausible that Meng would have created the same original design mark on his own, and emphasized Meng's efforts to sell the mark within a week of obtaining the registration. Furthermore, there was no evidence Meng had used or had any intention of using the mark himself. Lacking any “legitimate commercial purpose,” Justice Furlanetto found that the application was filed in bad faith and held the registration to be invalid.

Since Meng had not used the mark in any way, except to try to sell it, the court found no basis to order damages or an injunction for passing off. However, the court made an order for costs payable by Meng to Beijing Judian, with the amount to be determined.

## **Lessons**

Brand owners have long awaited a decision providing guidance on the new bad faith

ground for opposition and invalidity since the *Trademarks Act* does not define “bad faith.” The key factors, in this case, appeared to be that:

- The trademark in question was identical to that used by Beijing Judian in China.
- Beijing Judian's trademarks had some reputation in Canada, and Meng *knew* they had some reputation in Canada.
- Meng had applied to register several well-known restaurant trademarks.
- Meng tried to sell the registration to Beijing Judian a week after obtaining it, at a cost “well above any cost associated with obtaining the mark,” and to the public after this offer was refused.
- Meng did not use and had no intention of using the mark for his own restaurant.

Beyond noting that bad faith “is generally characterized as a breach of a legal or moral obligation on the part of an applicant towards a third party,” Justice Furlanetto did not provide an exhaustive definition of what the term means in a trademark context. The court looked to the United Kingdom, European Union, and academic sources in making its finding—so, it can be expected these sources will remain informative as the law develops further. Other hallmarks of bad faith suggested in these sources include filing applications:

- to stockpile for future use,
- to prolong the life of an unused mark in danger of being expunged,
- to block a competitor from entering the market, or
- that include multiple classes of goods and services though

the applicant could not possibly run a legitimate business over the whole range.

*Beijing Judian v Meng* highlights the additional costs that may be incurred if bad faith applications are not opposed upon advertisement. Regular monitoring of advertised applications, cease and desist letters, and (where necessary) opposition proceedings should be considered as part of a brand owner's IP strategy.

In addition, early filing of Canadian trademark applications for non-Canadian brands can secure priority over potential bad-faith applications, as well as potentially confusing good-faith applications. In this regard,

it should be noted that Canada does not require us to obtain a registration.

*The preceding is intended as a timely update on Canadian intellectual property and technology law. The content is informational only and does not constitute legal or professional advice. To obtain such advice, please communicate with our offices directly.*

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1. May 2022 decision: *Beijing Judian Restaurant Co. Ltd. v Meng*, 2022 FC 743.



## Digital Licensing

Lisa Yong, Ya Wen, and Love Fält

### Questions Brands Should Be Asking about Trademark Protection in the Metaverse

#### Trademark Protection in the Metaverse

With an estimated value of US \$800 billion by 2024<sup>1</sup> and set to generate US \$1 trillion in revenue<sup>2</sup> the metaverse is seen as the "New Internet" and an innovative medium for brands to connect with consumers. For businesses keen to capitalize

on the commercial value of the metaverse, this note aims to highlight what the metaverse means for brands and whether additional trademark rights are needed to exercise brand control.

#### What Are Opportunities for Brands?

The metaverse is still relatively new, and consumers and companies are both experimenting with engagement across various platforms including Decentraland, The Sandbox, and Roblox. With the latter reportedly attracting nearly 50 million daily active

users and more than 5.8 billion virtual items being acquired (paid and free).<sup>3</sup>

Enabled by virtual and augmented reality technologies, consumers can experience brands through virtual concept stores, sports, and musical events. For example, Decentraland's Metaverse Fashion Week in March 2022 received more industry attention than any previous digital fashion event.<sup>4</sup> NFTs have also become mainstream digital assets, despite the crypto volatility, with some commanding higher prices than the physical equivalent. Beyond fashion, IKEA's "Studio" allows shoppers to visualize how products look in their homes.<sup>5</sup> Brands like iTechArt and Oculus VR which produce VR headsets for immersive use in digital spaces aim to improve user experience, to