

TARGET WARS



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An interesting trade-mark dispute continues to brew in Canada between the owner of the brands that are used by Target stores, and the well-known Canadian retailer Fairweather. Target Brands, Inc. owns the “Target” brand used by discount stores throughout the United States. It purchased interests in over 200 Zellers stores in Canada with the intent of converting them to Target stores. Fairweather Ltd. has reportedly used both “Target” and “Target Apparel” as trade-marks in Canada, and has a Canadian trade-mark registration for “Target Apparel” for clothing.

The parties have launched various proceedings against each other over the years. Most recently, Target Brands is attacking Fairweather’s registered mark alleging non-use. However, Fairweather has apparently (based on Court filings) obtained an injunction temporarily stopping Target Brands from using their brands in Canada pending a full trial of the factual and legal issues. The Court filings in one of the proceedings indicate that the parties have set a trial date for June 2011, but have agreed to try to avoid that trial by utilizing the mediation process offered by the Federal Court.

Key issues will be whether Fairweather’s use of the trade-mark “Target Apparel” is sufficient to maintain registration of its mark in Canada, and whether Fairweather has acquired “common law” rights to the exclusive use (in the Toronto area or elsewhere) of the trade-marks “Target” or “Target Apparel” in association with a retail store.

There is a subtle, but important, distinction between use of a trade-mark as a brand for apparel itself, and use of a trade-mark as a brand for an apparel store. The Courts in some cases have permitted co-existence in these circumstances: allowing one trader to use a trade-mark as a store name and another trader to use the same or similar trade-mark on products sold in a store that carries a completely different name.

One such case is the Radio Shack decision from the United States. Radio Shack used the mark “PowerZone” to designate the section of its stores where it sold batteries and power cords. A large retailer, AutoZone, Inc., spent considerable funds promoting its brand “AutoZone” which was used for both its store names and its products (which included power adapters, cables, and connectors: some of which were sold at Radio Shack). AutoZone brought an action against Radio Shack for trade-mark and trade name infringement, and claimed damages. The Court held that there was no infringement: in large part due to the difference in the marks. However, the decision was also based to some degree on the test of the average consumer with an imperfect recollection of the “senior mark.” Would the average consumer upon encountering the “junior mark” be confused into mistakenly believing there was an affiliation to the organization behind the “senior mark”? The Court held that a hypothetical customer walking in to a Radio Shack outlet would know products sold in the “PowerZone” department had no connection with the AutoZone store or to AutoZone products.

Target Brands’s strategy might be to establish that its brand is well known to Canadians who read U.S. magazines, watch U.S. television, and shop in the U.S. and online. If it can establish such notoriety in Canada, Target Brands may be able to prove Fairweather’s registered mark for apparel has lost its ability to distinguish “Target Apparel”-branded apparel from the notorious “Target” brand for stores. If Target can prove its mark is known to Canadians to a significant degree, the Court may hold that Fairweather’s registration is invalid. Then what? The Court may hold that (or leave the matter such that) each party can use the mark on a non-exclusive basis until one prevails either in the market, or in a subsequent Court action. Further, depending on the scope of the present action, the Court, or a subsequent Court, may determine that Target Brands’s rights to the trade-mark “Target” in

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Canada are sufficient for it to succeed in its own case of “passing off” against Fairweather and thus have priority over Fairweather’s rights such that Fairweather is restrained from any use of the “Target” trade-mark.

Regardless, this case supports the mantra of all trade-mark agents - “use it or lose it.” The more extensively one can prove the use of a brand, the better. The failure to use a registered mark, as registered, imperils the registration and exposes the owner to trade-mark challenges and other disputes in the emerging context of cross-border brand issues. If you have questions about protecting your brand, or any other intellectual property matters, our Intellectual Property & Technology group has substantial knowledge and experience and would be happy to assist. ▲

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