

Internet and E-Commerce Law in Canada

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VOLUME 16, NUMBER 8

Cited as (2014–15) 16 I.E.C.L.C.

DECEMBER 2015

• THE TRANS-PACIFIC PARTNERSHIP AGREEMENT: WHAT'S IN IT FOR TELECOMMUNICATIONS, E-COMMERCE, AND INTELLECTUAL PROPERTY? •

Cristel Chabot-Lapointe and Xin Gao
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On October 5, 2015, Canada and the following 11 Pacific Rim countries: Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States,

and Vietnam, have reached a deal on the content of new free-trade agreement covering the Pacific region, the Trans-Pacific Partnership Agreement (the “TPP”). Although the final treaty text has yet to be settled and released, information about the agreement has been released by many of the participating governments, including Canada. The content of the TPP covers a wide variety of economic activities and sectors, including, among others, telecommunications, e-commerce, and intellectual property.

Telecommunications

The provisions on telecommunications are all based on a general objective among the TPP countries that there should be more regulatory certainty for telecommunications service providers operating and investing in the TPP countries. As such, the TPP countries have agreed to ensure access to telecommunications facilities under fair and reasonable terms, to allocate scarce resources (such as frequencies) in a non-discriminatory manner, and to be transparent in their regulatory process.

• In This Issue •

THE TRANS-PACIFIC PARTNERSHIP AGREEMENT:
WHAT'S IN IT FOR TELECOMMUNICATIONS,
E-COMMERCE, AND INTELLECTUAL PROPERTY?

Cristel Chabot-Lapointe and Xin Gao 57

ONTARIO COURT ASSUMES JURISDICTION OVER
ISRAELI PUBLISHER IN ONLINE DEFAMATION
CLAIM

Michael D. Schafler and Thomas Wilson..... 60

IS IT LEGAL TO USE COMPETITORS'
TRADEMARKS AS PART OF SEO STRATEGIES?
CANADIAN COURT FINDS USE OF A COMPETITOR'S
TRADEMARK AS A KEYWORD IS NOT ACTIONABLE

Catherine Lovrics and Tamara Céline Winegust 62



INTERNET AND E-COMMERCE LAW IN CANADA

Internet and E-Commerce Law in Canada is published monthly by LexisNexis Canada Inc., 111 Gordon Baker Road, Suite 900, Toronto, Ontario M2H 3R1

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ISBN: 0-433-42472-9 ISSN 1494-4146
 ISBN: 0-433-44385-5 (print & PDF)
 ISBN: 0-433-44674-9 (PDF)

Subscription rates: \$235 per year (print or PDF)
 \$350 per year (print & PDF)

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It will be interesting to see what influence such rules may have on regulatory policies aimed at promoting competition in the telecommunication sector, such as mandatory wholesale access to wireline facilities and preferential spectrum allocations in the wireless sector, as well as on the cluster of policy issues that fall under the broad heading of network neutrality.

The TPP countries have also addressed the issue of international mobile roaming charges and have agreed to allow telecommunications service providers from TPP countries that do not regulate rates on wholesale international roaming services to benefit from lower rates offered in TPP countries that do not regulate such rates.

The TPP provisions on telecommunications do not contain rules on broadcasting services (other than to ensure access to telecommunications services by broadcasters). However, the Canadian government notes that it has included a “broad reservation” under the Services and Investment chapters to protect cultural sector programs and policies aimed at promoting the creation, development, or accessibility of Canadian artistic expression. So the treaty may not have any direct impact on restrictions on foreign ownership in the broadcasting sector, or on Canadian content rules and subsidies.

E-Commerce

As for e-commerce, the TPP countries have agreed to facilitate the use of electronic commerce as a means of trade.

The TPP countries have agreed not to discriminate against or impose custom duties or other charges on online digital products, to promote the free flow of information across borders, not to require the use of local servers for data storage, and to maintain measures to protect users

from unauthorized disclosure of personal information and from spam.

It will certainly be interesting to see how these requirements will be implemented in British Columbia and Nova Scotia, which both have privacy legislation requiring public bodies to access and store their data in Canada, with limited exceptions.¹

Intellectual Property

The TPP chapter on intellectual property covers patents, trademarks, copyrights, industrial designs, enforcement, geographical indications, pharmaceuticals, public health concerns, as well as satellite and cable signals. The TPP also contains a general cooperation commitment between the TPP countries in the intellectual property sector.

The provisions on copyright include some of the key aspects of the Canadian copyright regime, such as the exceptions and limitations framework, the Notice-and-Notice regime on Internet service providers' role in online alleged infringement of copyright, and the enforcement measures against circumvention of technological protection measures (commonly known as "digital locks").

The provisions on trademarks are described by the government as consistent with Canada's current regime and are in line with Canada's projected amendments to the *Trade-marks Act*² in light of its intent to sign and ratify the Madrid Protocol and the Nice Agreement.

The provisions on patents are based on the World Trade Organization's *Agreement on Trade-Related Aspects of Intellectual Property*³ and are consistent with Canada's current criteria regarding patentability exclusion. The TPP's

provisions on patents also ensure patent protection for inventions in all fields of technology.

On the enforcement side, it is worth mentioning that the TPP contains strong civil and criminal enforcement provisions, notably as regards to copyright piracy and trademarks counterfeiting.

Finally, as the final text of the TPP has yet to be settled between the TPP countries and then be ratified and implemented by the 12 TPP countries before it takes effect, it remains to be seen how these provisions will be enforced in each country and interact with the local law.⁴

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¹ See B.C. *Freedom of Information and Protection of Privacy Act*, R.S.B.C. 1996, c. 165, s. 30.1, and Nova Scotia *Personal Information International Disclosure Protection Act*, S.N.S. 2006, C.3, s. 5.

² R.S.C., 1985, c. T-13.

³ Available at <https://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm>.

⁴ A technical summary of the TPP by the Canadian government is available at <<http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/tpp-tp/understanding-comprendre/index.aspx?lang=eng>>.

• ONTARIO COURT ASSUMES JURISDICTION OVER ISRAELI PUBLISHER IN ONLINE DEFAMATION CLAIM •

Michael D. Schafler and Thomas Wilson
Dentons

A recent Ontario Superior Court of Justice decision *Goldhar v. Haaretz.com* [*Goldhar*]¹ cautions publishers of online content in non-Canadian jurisdictions that they may have to defend defamation proceedings in Canadian courts.

Facts

In November 2011, Israel's oldest daily newspaper, *Haaretz*, published an article about Mitchell Goldhar, a successful Canadian businessman and owner of the most decorated football club in Israel, Maccabi Tel Aviv Football Club. The article was critical of Goldhar.

Although a print version was not available in Canada, *Haaretz* posted the article online in both Hebrew and English.² The article attracted 216 unique views from users located in Canada, although more than 216 Canadians likely read the article.³

Shortly after the article was published, Goldhar brought an action in the Ontario Superior Court of Justice against *Haaretz*, alleging that it was libellous. In response, *Haaretz* brought a motion to stay or dismiss the action on three grounds:

- The court lacked jurisdiction;
- Ontario was not the most convenient forum to hear the action (*forum non conveniens*); and
- The action was an abuse of process.

Decision

The court allowed Goldhar to continue his action in Ontario, ordering that

- Goldhar's damages would be limited to damages to reputational harm suffered within Canada; and
- Goldhar would be required to pay travel and accommodation expenses for *Haaretz's* witnesses.⁴

The court applied the framework established by the Supreme Court of Canada in *Club Resorts Ltd. v. Van Breda*⁵ for determining whether a court should assume jurisdiction over a foreign defendant:

- Did the Ontario court have jurisdiction *simpliciter* (*i.e.*, the ability to assert jurisdiction over an out-of-province defendant) over the defendant?
- If the Ontario court had jurisdiction *simpliciter*, should it nevertheless exercise its discretion to stay the action if another forum was clearly more appropriate for hearing the action?⁶

In its jurisdiction *simpliciter* analysis, the court first acknowledged a presumptive connecting factor between the subject matter of the litigation and the proposed forum—namely, that the alleged tort of defamation had been committed in Ontario.⁷ With a presumptive connecting factor in place, the burden shifted to *Haaretz* to prove that the connecting factor did not point to any real relationship between the subject matter of the litigation and Ontario. Citing *Éditions Écosociété Inc. v. Banro Corp.*,⁸ in which the Supreme Court held that even a small amount of publication in the proposed forum was enough

to establish jurisdiction *simpliciter*, the court was not persuaded by *Haaretz's* submission that since a far greater number of people had read the article in Israel than in Ontario, there was no substantive connection between the alleged defamation and Ontario.⁹

After concluding that it had jurisdiction *simpliciter*, the court turned to *Haaretz's* submissions on *forum non conveniens* (“inconvenient forum”). To persuade the court to stay the action, *Haaretz* was required to demonstrate that another jurisdiction (Israel) was the clearly more appropriate forum. In refusing to grant a stay, the court considered a number of factors:

- Both the location of witnesses and the location of the parties (in light of the fact that Goldhar regularly visited Israel) favoured the action being brought in Israel.¹⁰
- Applicable law (*i.e.*, the law of the place where the tort occurred) favoured the action being brought in Ontario.¹¹
- Loss of juridical advantage to the plaintiff favoured the action being heard in Ontario. Although an expert witness for *Haaretz* testified that there was a more plaintiff-friendly libel regime in Israel,¹² Goldhar’s counsel pointed to the availability of jury trials and the lack of a public figure defence in Ontario as juridical advantages that would be surrendered should the action be tried in Israel.¹³ In determining that loss of juridical advantage favoured the action continuing in Ontario, the court refused to engage in an analysis of the relative juridical advantages of having the action heard in Ontario versus Israel: a plaintiff need show that there is only a loss of juridical advantage, not a net loss.¹⁴

- Recognising the historical importance of reputation in Canadian defamation law, fairness to the parties favoured the trial of the action in Ontario.¹⁵

Comment

In the Internet era, anyone can—within minutes—distribute written material to a global audience. The opportunities presented by this new communication technology are often matched by attendant risks. *Goldhar* demonstrates that Canadian courts will not hesitate to require international publishers of online content to defend actions brought in Canada. Before publishing potentially libellous material, prudent publishers should note the common sense approach adopted in this case:

The defendants published an article about a Canadian businessman’s ownership of an Israeli soccer team that impugned his reputation. There is no surprise or injustice to the plaintiff’s attempt to vindicate his reputation in Ontario, where he lives and works.¹⁶

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¹ *Goldhar*, [2015] O.J. No. 1084, 2015 ONSC 1128.

² *Ibid.*, paras. 6 and 12.

³ *Ibid.*, paras. 12–15.

⁴ *Ibid.*, para. 77.

⁵ [2012] S.C.J. No. 17, 2012 SCC 17.

⁶ *Goldhar*, *supra* note 1, para. 17.

⁷ *Ibid.*, paras. 18–20.

⁸ [2012] S.C.J. No. 18, 2012 SCC 18.

⁹ *Goldhar*, *supra* note 1, para. 21.

¹⁰ *Ibid.*, paras. 29–33 and 41–42.

¹¹ *Ibid.*, paras. 46–51.

¹² *Ibid.*, para. 53.

¹³ *Ibid.*, paras. 55 and 60.

¹⁴ *Ibid.*, para. 62.

¹⁵ *Ibid.*, paras. 64–65.

¹⁶ *Ibid.*, para. 62.

**• IS IT LEGAL TO USE COMPETITORS' TRADEMARKS
AS PART OF SEO STRATEGIES?
CANADIAN COURT FINDS USE OF A COMPETITOR'S TRADEMARK
AS A KEYWORD IS NOT ACTIONABLE •**

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In Canada, there have been only a few Canadian cases dealing with use of competitors' trademarks in search engine optimization (SEO)—for example, as keywords and metatags. The recent trend is (1) holding such use not actionable under trademark law on the basis that consumers are unlikely to be confused by search engine results alone and (2) also rejecting “initial interest” confusion type arguments. The issue, however, is not settled at Canadian law.

In *Vancouver Community College v. Vancouver Career College (Burnaby) Inc.*,¹ the Supreme Court of British Columbia considered whether the defendant's use of the plaintiff's trademarks VCC and VANCOUVER COMMUNITY COLLEGE in keyword advertising, including Google AdWords, constituted passing off. The court found it was not, based on users retaining the ability to choose from the results returned by a search, the content of the defendant's website not containing any “confusing material”, and on the keywords not being visible to users. The court found that search results alone are not likely to lead to confusion, since a user controls what terms are searched and can still pick and

choose between results, so devices that manipulate search results (such as keywords) are unlikely to cause confusion. Acknowledging that confusion is assessed as a matter of “first impression”, the court held that a “first impression” in the context of keywords or AdWords does not arise until a user has actually accessed the website located by the search. Therefore, a user must actually go to a website before the issue of confusion can arise. The court also found that since metatags are not displayed on screen, they have “no potential cause for confusion” and are “irrelevant”. In this case, the defendant's website itself did not display the plaintiff's marks, so there was no risk of confusion.

This follows the recent Federal Court decision in *Red Label Vacations Inc. v. 411 Travel Buys Limited* (currently under appeal),² where the court found use of other's trademarks in metatags not to be passing off or trademark infringement. The court found that since the metatags were not visible to the searcher, there was no potential for a misrepresentation “to the public”. The court also commented that whether or not there was

“initial interest” confusion was immaterial, since that theory of trademark infringement or dilution had not yet gained foothold in Canadian law. Further, since all metatags do is influence search results, the court concluded that consumers retained the chance to review the search results and select the website they intended to access, in which case there is no confusion of which to speak:

The use of metatags in a search engine merely gives the consumer a choice of independent and distinct links that he or she may choose from at will, rather than directing a consumer to a particular competitor. Rankings may affect the choice to be made, but nevertheless, such a choice exists. [...] [U]se of a competitor’s trademark or trade name in metatags does not, by itself, constitute a basis for a likelihood of confusion, because the consumer is still free to choose and purchase the goods and services from the website he or she initially searched for.³

In two earlier decisions, courts in Quebec and British Columbia likened keyword advertising to similar side-by-side advertising that is conducted regularly in telephone directories and other advertising media. In *Private Career Training Institutions Agency v. Vancouver Career College (Burnaby) Inc.*,⁴ the B.C. Supreme Court found that bidding on a competitor’s mark through keyword advertising is not false, deceptive, or misleading contrary to a by-law in the *Private Career Training Institutions Act*.⁵ The case was decided in the context of bylaws that prohibited false, deceptive, or misleading advertisement. The Court of Appeal, in upholding the decision, emphasized that this was not a dispute over IP and that the result should not be considered in that context. In *Chocolat Lamontagne inc. v. Humeur Groupe conseil inc.*,⁶ the Quebec Superior Court dismissed the plaintiff’s claim for passing off and unfair competition, on the basis of no confusion. The defendant’s sponsored ads, although associated with the plaintiff’s mark as a keyword,

were found not to be confusing, as the text of the ads indicated that they were providing an alternative to the plaintiff’s product.

Despite the above-noted decisions, on the right facts, it may be possible to establish a strong case against keyword advertising and the use of metatags. In contrast to the above decisions is the 2013 Federal Court case *Trans-High Corporation v. Hightimes Smokeshop*⁷ that dealt with the use of marks in metatags and other search engine optimization devices. The Federal Court enjoined use of the plaintiff’s mark HIGH TIMES as part of metatag and other internet search engine optimization tools or devices (which could include keyword advertising). Further, the 2011 Supreme Court of Canada decision *Masterpiece v. Alavida*⁸ supports “initial interest” confusion being actionable—i.e., that even if a consumer is no longer confused after seeing the search results or visiting the website associated with the sponsored link, the use of the keyword may be actionable because consumers will seek out and consider a competitive product or service in which they presumably had either no awareness of or interest.

To quote from the Supreme Court: “[s]uch diversion diminishes the value of the goodwill associated with the trade-mark and business the consumer initially thought he or she was encountering in seeing the trade-mark. *Leading consumers astray in this way is one of the evils that trade-mark law seeks to remedy*”. Hopefully, courts will have another opportunity to review the issue, study more carefully the initial interest confusion issue, and also consider claims of depreciation of goodwill—in particular, in service marks for which a trademark is “used” in association with advertising of services.

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¹ [2015] B.C.J. No. 1797, 2015 BCSC 1470.

² [2015] F.C.J. No. 220, 2015 FC 19.

³ *Ibid.*, para. 115.

⁴ [2010] B.C.J. No. 1021, 2010 BCSC 765, aff'd [2011] B.C.J. No. 210, 2011 BCCA 69.

⁵ S.B.C. 2003, c. 79.

⁶ [2010] Q.J. No. 7172, 2010 QCCS 3301.

⁷ [2013] F.C.J. No. 1306, 2013 FC 1190.

⁸ [2011] S.C.J. No. 27, 2011 SCC 27.

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