

# Internet and E-Commerce Law in Canada

**Editor-in-Chief: Professor Michael A. Geist, Canada Research Chair in Internet and E-Commerce Law  
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## • IT'S NOT JUST A "LIKE": COURT CERTIFIES FACEBOOK CLASS ACTION •

Joan Young, *Partner*, and Natalie Cuthill, *Student-at-Law*  
McMillan LLP

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### Background

In a recent ruling<sup>1</sup> from the British Columbia Supreme Court, a class action was certified involving a claim by disgruntled Facebook users who allegedly had their images reproduced in Facebook advertising without their consent.

In January 2011, Facebook began making advertising revenue from a product called Sponsored Stories. Facebook took the names and images of Facebook users and featured them in advertisements sent to the users' contacts—allegedly without the knowledge or consent of the person featured in the ad.

The representative plaintiff claimed that Facebook acted contrary to s. 3(2) of B.C.'s *Privacy Act*,<sup>2</sup> which provides that it is an actionable tort for a person to use the name or portrait of another person without his or her consent for advertising or promotional purposes. In considering whether to grant the class certification, the Supreme Court was first required to consider whether it should assume jurisdiction over the plaintiff's claim in spite of a jurisdictional

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Please address all editorial inquiries to:

Boris Roginsky, Journals Editor  
 LexisNexis Canada Inc.  
 Tel. (905) 479-2665; Toll-Free Tel. 1-800-668-6481  
 Fax (905) 479-2826; Toll-Free Fax 1-800-461-3275  
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clause in the Facebook user agreement, which held that any claims must be made in California.

**Jurisdiction**

Facebook's main argument was that the Terms of Use that users agree to when signing up for Facebook contain a Forum Selection Clause that binds users to adjudicate disputes in the courts of California. The Plaintiff argued that the *Privacy Act* supersedes this Forum Selection Clause, as it confers exclusive jurisdiction on the B.C. court for privacy breaches of the kind alleged.

The Supreme Court held that the two-step test from *Preymann v. Ayus Technology Corp.*<sup>3</sup> applied, and made the determination that it should accept jurisdiction. The Supreme Court accepted that the plaintiff had a triable argument that the Forum Selection Clause did not apply to the *Privacy Act* cause of action and the plaintiff demonstrated a strong case for not enforcing the Forum Selection Clause on the basis that the *Privacy Act* confers exclusive jurisdiction to the B.C. court. The Supreme Court was convinced by the plaintiff's assertion that if the present claim was stayed in B.C., the plaintiff would have no other forum to bring the *Privacy Act* claim and be denied a right of action.

**Certification**

In next considering whether to certify the claim, the Supreme Court reiterated the low threshold that the plaintiff must meet—namely, there is “some basis in fact” that each requirement of certification, other than the requirement of pleading a cause of action, has been met.

**Cause of Action**

The Supreme Court found a valid cause of action based on the allegation that Facebook used the plaintiff's name or portrait and other class

action members' names or portraits in their Sponsored Stories for the purposes of advertising without their consent.

### **Identifiable Class**

The Supreme Court found that membership could be objectively determined if the persons who were featured in the Sponsored Stories otherwise fit into the definition of the class, because Facebook could identify who was featured in the Sponsored Stories.

### **Common Issues**

The requirement that the class proceeding involve issues common to members of the class was also found to be met in this case. The Supreme Court held that the following issues were common to the class:

1. whether express and implied consent was derived from Facebook users' online action
2. whether there was the misappropriation of identity from featuring class members' names or portraits in connection with Sponsored Stories
3. whether all or only some Sponsored Stories were for the purpose of advertising or promotion within the meaning of s. 3(2) of the *Privacy Act*
4. whether or not the *Privacy Act* applies despite Facebook's choice of law clause
5. whether or not class members are entitled to damages without individual proof
6. whether damages can be determined on an aggregate basis and in what amount
7. whether punitive damages are appropriate
8. whether or not Facebook is liable to pay interest pursuant to the *Court Order Interest Act*<sup>4</sup> and in what amount

Facebook unsuccessfully argued that it obtained the express or implied consent of users to feature them in Sponsored Stories through the Terms of Use accepted by every Facebook user, and other online conduct such as user selection of privacy settings. Facebook's arguments regarding express and implied user consent, the fact that consent is an essential element of the statutory tort found in s. 3(2) of the *Privacy Act*, and the fact that the issue of individual consent will be the primary issue in the trial of the plaintiff's claim were not sufficient grounds to reject the certification motion.

### **Preferable Procedure and Representative Plaintiff**

The Supreme Court considered that the three goals of the class action regime (judicial economy, access to justice, and behaviour modification) would be best served by a class proceeding and the plaintiff would fairly and adequately represent the class.

### **Conclusion**

Ultimately, the Supreme Court rejected Facebook's application to have it decline jurisdiction and accepted the plaintiff's application that the proceeding should be certified as a class proceeding.

The Supreme Court highlighted the importance of privacy—the protection of which is consistent with Canadian values as expressed by the *Canadian Charter of Rights and Freedoms*—and emphasized the significant interest that B.C. residents have in policing privacy violations by multinational Internet or social media service providers. The Supreme Court emphasized that the implications for loss of privacy are greater than ever with the creation and growth of the Internet.

The variety and number of privacy-based class claims continues to accelerate. Despite the subjective nature of consent present in any privacy analysis and the necessity of a series of follow-up individual issues, which would militate against class proceedings being the preferable procedure, this has not yet been a significant hurdle to certification. Similarly, the enforceability of terms of use, including forum selection clauses, will be a concern for those companies offering Internet-based services who rely on such terms to govern their and their customers' conduct. Greater guidance on these two issues will need to come from appellate courts in the years to come.

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[*Editor's note:* **Joan Young** is a Partner and Senior Litigator in the firm's Advocacy and Litigation Group, and the Competition and Antitrust Group. She also serves as a member of

the firm's Professional Services Committee. Her practice emphasizes complex civil and commercial litigation, class actions, and administrative/regulatory hearings representing a wide range of clients and industries, such as automotive, mining, forestry, hospitality, manufacturing, and government. Joan is known as a highly skilled advocate with over 23 years of trial and appeal experience. Her extensive commercial litigation background includes product liability, class actions, conspiracy claims, tort law, contractual claims, employment law, administrative law and judicial review, government and public agency law, and aboriginal law. You can contact Joan at (604) 893-7639 or <[joan.young@mcmillan.ca](mailto:joan.young@mcmillan.ca)>].

<sup>1</sup> *Douez v. Facebook, Inc.*, [2014] B.C.J. No. 1051, 2014 BCSC 953.

<sup>2</sup> R.S.B.C. 1996, c. 373.

<sup>3</sup> [2012] B.C.J. No. 106, 2012 BCCA 30.

<sup>4</sup> R.S.B.C. 1996, c. 79.

## • SCOUTSCANADA.CA DECISION REMINDS CDRP COMPLAINANTS TO "BE PREPARED" •

Tamara Winegust, *Associate*  
Bereskin & Parr LLP

The recent decision in *Scouts Canada v. Morland* [*Scouts Canada*],<sup>1</sup> under the Canadian Internet Registration Authority's Dispute Resolution Procedure ("CDRP"), confirms the importance of pleading all relevant grounds for each element to be proved and of submitting supporting evidence. The case also involved a criticism site and confirms that operation of such sites *per se* do not implicate the owner of the domain name of bad faith registration.

The Canadian Internet Registration Authority ("CIRA") is the organization responsible for administering domain names for the ".ca" Canada-specific Top Level Domain. The CDRP

is a summary arbitration procedure to transfer domain names registered in bad faith by another party with no legitimate interest in the domain name. To succeed, a CDRP complainant must satisfy three elements: (1) ownership of a "mark" that is confusingly similar with the disputed domain name, (2) the fact that the domain name was registered in bad faith, and (3) the fact that the registrant lacks a legitimate interest in the domain name.

The dispute in *Scouts Canada* arose from the February 2009 registration of the domain name <[www.scoutscanada.ca](http://www.scoutscanada.ca)>. The complainant, Scouts Canada, is the Canadian branch of the

worldwide Scouts movement formerly known as the Boy Scouts. Scouts Canada alleged that Morland, a former registered Scouts Canada volunteer, was using the domain name to host a criticism website and registered the domain name in bad faith, without a legitimate interest. Scouts Canada claimed the domain name was confusingly similar to Scouts Canada's mark, SCOUTS CANADA. Although Scouts Canada holds published official marks under s. 9(1)(n) of the *Trade-marks Act*,<sup>2</sup> the complainant sought to rely only on its SCOUTS CANADA mark that was approved and listed on the Trademark Register pursuant to special federal legislation incorporating Scouts Canada. While both parties filed arguments, neither submitted any evidence aside from a Who.is search showing that Morland registered the domain name.

The panel found that the complaint failed on all three elements, primarily because no evidence had been filed to support Scouts Canada's allegations. The panel held that, in general, adoption of the complainant's mark in the domain name is not *per se* "bad faith" and that operation of a criticism website is not "bad faith" and can in fact constitute a "legitimate use" under the policy. In any event, no inference could be made about the domain name's use, since neither party submitted evidence showing the website's content, and the Panel refused to go to the website to "forage for evidence the parties should have provided".<sup>3</sup>

Oddly, the panel also found Scouts Canada owned no "mark" from which to assess "confusing similarity".<sup>4</sup> The CDRP Policy defines a "mark" as (1) a trademark or trade-name used in Canada to distinguish the wares, services, or business of that person from others; (2) a certification mark; (3) a trademark registered with the Canadian Intellectual Property Office; or (4) any

mark protected as an Official Mark under s. 9(1)(n) of the *Trade-marks Act*. Scouts Canada pled that it had an exclusive right to use the mark SCOUTS CANADA by virtue of provisions in the federal *Scouts Canada Act*. Somewhat peculiarly, Scouts Canada did not also plead rights based on its official marks, possibly because the requirements for official mark protection have evolved and may only be properly asserted by organization subject to a significant degree of government control.

The panel held that marks "protected by Federal Act of Incorporation", like the SCOUTS CANADA mark, are a *sui generis* right not recognized as "marks" under the policy. To claim rights in SCOUTS CANADA, the panel held that Scouts Canada should have demonstrated that it at least used the name: "a trade name which has been used enjoys goodwill, [while] an unused statutory right does not".<sup>5</sup> Since Scouts Canada did not plead such grounds and submitted no evidence, the panel was precluded from finding any common law trademark rights attached to the mark.

The panel held that despite Scouts Canada's failure to establish the first CDRP element, it nevertheless had a "colour of right" to the mark that established no attempted reverse domain name hijacking.

The decision highlights the importance of making thorough pleadings, relying on multiple grounds, and submitting supporting evidence when bringing a CDRP complaint, especially with respect to establishing rights in a mark. Further, it demonstrates that even if a mark is protected by law, it may not be enforceable through the CDRP without corresponding evidence of use—unlike a registered trademark or certification mark, which clearly fall under the CDRP's definition of a "mark". Prospective

complainants should be well reminded that the burden is on them in a CDRP to establish a confusing bad faith registration and that evidence of actual use and reputation of their mark, as well as evidence supporting all the other elements, is critical to success in such a procedure.

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[*Editor's note:* **Tamara Winegust** is an Associate at Bereskin & Parr LLP and a member of the

New Media/Copyright and Trademarks practice groups. Her practice focuses on trademarks, new media/copyright, licensing, marketing and advertising law, in addition to litigation.]

<sup>1</sup> 2015 LNCIRA 2, CIRA Dispute Number 00277, January 22, 2015.

<sup>2</sup> R.S.C. 1985, c. T-13.

<sup>3</sup> *Supra* note 1, para. 30.

<sup>4</sup> *Ibid.*, para. 20.

<sup>5</sup> *Ibid.*, para. 22.

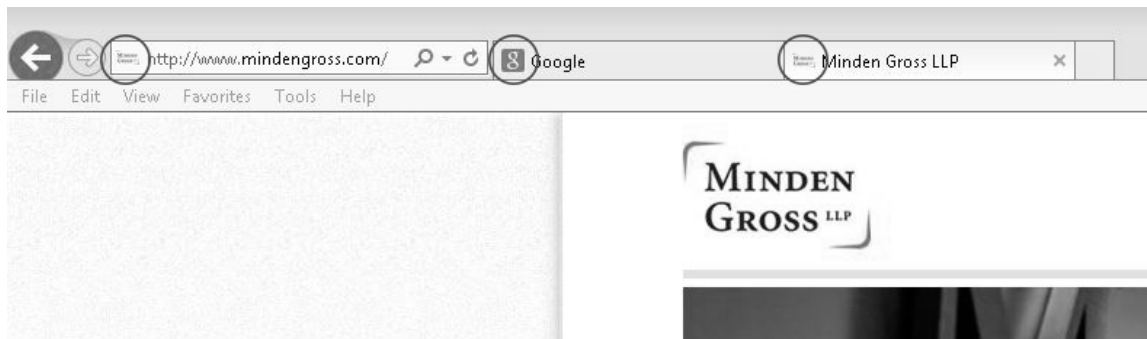
## • FAVICONS: A “BRAND” NEW KIND OF TRADEMARK •

David T. Ullmann, *Partner*, and Ryan Fenton, *Student-at-Law*  
Minden Gross LLP

It turns out that there is a new frontier in trademark law, but you have to look very closely at your computer screen to see it. Take a close look at the beginning of the URL line for most web-pages you visit, including well-known websites

like Google, Wikipedia, Minden Gross LLP, the *New York Times*, etc. and you will start to see what I mean. There are tiny icons with version of those company's logos, appearing in the URL line. These tiny icons are known as “Favicons”.]

Fig. 1 – Favicons in a web browser (indicated by red circle)



For some time there has been some controversy over how one might trademark a company's URL (being its Internet address: *i.e.*, [www.mindengross.com](http://www.mindengross.com)). The conventional wisdom is that most often the URL is not using the brand as a trademark and that therefore trademark protection may not be available. Favicons may be changing all that.

Although technically available since 1999, favicons have really only gained popularity in the

past few years. Now they are ubiquitous. The question is, can they be protected by trademarks, when the old URL could not be? The answer appears to be yes. For example, last year Google was successful in getting its “G” logo (which it uses as a favicon – see Fig. 1) trademarked in Canada (TMA861392).

When one considers it, we realize that the favicon is, in fact, very much like the original idea of a trademark. They are small icons that

indicate the source of the website you are about to view and confirm it is legitimately the website you were seeking. It is easy to see how the use of the icon is distinct from the use of just the URL address and easy to see how trademark rights would be available, in most cases.

Some people may say that it is not necessary to register the favicon as a trademark if you already have the logo (in which the favicon might appear in part) registered. This is incorrect. Experienced trademark practitioners will tell you that if you have a trademark for a logo, but you fall into the bad habit of using only part of that logo, not only will you not necessarily have protection in that logo fragment, you may negatively impact your rights in your main logo. Having protection for just the logo will not protect use of part of it as a favicon. Also, the wares and services in your logo application may not have included services related to a website.

If you want to have proper protection in the logo and the favicon, a separate application for the favicon is recommended.

There is also an advantage in applying for such a trademark now, rather than later. Notice that the Google favicon trademark made a colour claim as well. As set out in another recent article, “Nice and ‘Use’-less: Major Changes to the *Trade-marks Act*”<sup>1</sup> if you are interested in claiming colour for a trademark, you would be well-advised to make your application before the revisions to the new *Canadian Trade-marks Act*,<sup>2</sup> which will come into force next year.

With a company’s Internet presence being of paramount importance, the favicon, just like

the company’s trademarked logo, can portray the attributes of the company’s services, goods and reputation to which people identify. As such, while some may view it as an after-thought, especially where one has already registered a trademark, one should be mindful to take steps that can and should be taken to protect these tiny logos. They may yet become the image that people who surf the Internet most associate with a company’s brand, or at least its website.

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[*Editor’s note:* **David Ullmann** is a Partner with Minden Gross LLP. David has a multifaceted law practice where he advises on Commercial Insolvency, Media, Technology and Intellectual Property law issues. He is the head of the Media, Technology and Intellectual Property Group, and often represents the interests of clients in the media and technology sector in connection with large insolvency files such as Nortel, Canwest, Allarco (Superchannel), TQS Inc., PSInet and Teleglobe. You can reach David at (416) 369-4148 or <dullmann@mindengross.com>.

**Ryan Fenton** is an Articling Student at Minden Gross LLP. He received his LL.B. at Queen Mary, University of London and his B.A. (Hons) at the University of Western Ontario. You can reach Ryan at (416) 369-4156 or <rfenton@mindengross.com>.]

<sup>1</sup> <<http://www.mindengross.com/docs/default-source/publications/fall-2014-minden-gross-newsletter-trade-marks-act>>.

<sup>2</sup> R.S.C. 1985, c. T-13.

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