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Culinary Knockout: Federal Court Strikes US Restaurant Owner's Claims Against an Alleged Canadian "Copycat" with Leave to Amend

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In *Fox Restaurant Concepts LLC v 43 North Restaurant Group Inc.*,[1] the US-based plaintiff, Fox Restaurant Concepts LLC (Fox Restaurant), brought a claim of copyright infringement and passing off against the defendants for allegedly operating, in Canada, two "copycat restaurants" and copying the restaurants' names, slogans, website content, and themes and concepts. While the Federal Court observed that those elements are capable of attracting IP protection, it ultimately struck Fox Restaurant's statement of claim with leave to amend due to deficiencies in the pleading. The decision is an important reminder for franchise systems, especially those entering Canada from another country, to confirm that their IP rights are sufficiently protected in accordance with the requirements of Canadian IP laws.

Background

Fox Restaurant claimed that it operates popular restaurants in the United States called Culinary Dropout and Doughbird. It alleged that the defendants, 43 North Restaurant Group Inc. and two of its principals, had committed copyright infringement and engaged in passing off by operating two copycat restaurants named Culinary Dropout and Dough Box in Ontario and by copying the slogans, website content, and restaurant themes and concepts of its restaurants.

The defendants brought a motion to strike the statement of claim. To strike a pleading, it must be plain and obvious, assuming that the facts pleaded are true, and the pleading discloses no reasonable cause of action. In other words, the plaintiff must have pled material facts sufficient to satisfy every element of the alleged causes of action, or else their claim will be struck.

Ownership of Canadian Copyright Not Sufficiently Established in the Pleading

The Court struck out Fox Restaurant's claim that the defendants had infringed copyright in certain of its logos, images, and website excerpts (the Fox Works). The pleading was deficient because, among other things, it did not establish that Fox Restaurant owns copyright in the Fox Works in accordance with the

requirements of the Canadian *Copyright Act*.

For example, Fox Restaurant claimed to own copyright in the Fox Works on the basis that they constitute "works made for hire," which is a concept in US copyright law. The Court rejected that argument, emphasizing that copyright law is territorial and that a plaintiff must establish ownership of copyright under the requirements of the Canadian *Copyright Act*:

Whether the Fox Works are "works for hire" under United States law is immaterial. Copyright is a statutory scheme… and the actions of a party must be measured according to the terms of the statute. The *Copyright Act*, RSC 1985, c C-42 sets out the conditions for the existence, ownership, and enforceability of copyright. *What is material is whether the plaintiff can demonstrate ownership pursuant to the terms of the Canadian Copyright Act*.[2]

The statement of claim also stated that the Fox Works had been created by the founder of Fox Restaurant and/or its employees. While that fact could potentially entitle Fox Restaurant to copyright ownership in Canada, provided certain conditions are met, the Court nonetheless held that the pleading was deficient. The statement of claim did not plead that all relevant conditions had been met or state that the founder had actually been an employee of Fox Restaurant.

Trade Dress and Trademark Claims

Fox Restaurant asserted that the defendants had copied the trade dress and concepts of its restaurants. The Court accepted that the themes and concepts of a restaurant—its "look and feel" — are capable of attracting intellectual property protection and could ground an infringement proceeding. However, it found that Fox Restaurant's statement of claim did not include sufficient material facts to establish what Fox Restaurant's unique trade dress and restaurant concepts are. The Court noted that a pleading based on a restaurant's trade dress must identify the specific elements that are alleged to make up the restaurant's trade dress or concept, and how those elements have been copied by the defendant.

Fox Restaurant also alleged that the defendants had infringed its CULINARY DROPOUT and DOUGHBIRD word and design marks as well as five slogans.[3] The marks were not registered in Canada, but Fox Restaurant claimed to have goodwill and reputation in Canada. Although the Court found that Fox Restaurant had pled the material facts necessary to sustain the cause of action for passing off, the Court nonetheless determined that the most efficient way to move the matter forward was to strike the claim in its entirety with leave to amend.

Key Takeaways

The decision serves as an important reminder that the various elements of a restaurant concept — including logos, slogans, menus, promotional items, websites, and its appearance — are capable of being protected as intellectual property. However, franchisors who operate in Canada should take steps to ensure that their intellectual property rights, including in any works created by employees or third parties, are protected within Canada. Franchisors should be mindful that the conditions for intellectual property ownership and protection in the United States or other jurisdictions may not necessarily suffice in Canada.

Franchisors should also consider taking stock of their intellectual property assets by, for example, conducting an IP audit. Such proactive steps may help to identify and correct any gaps in protection and ensure that a franchisor is prepared to protect and enforce its IP rights when necessary.

Cassels has previously written about intellectual property issues in the restaurant industry in Canada. For more information, please contact the authors of this article or any member of our Franchise Group or Intellectual Property Group.

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[1] *Fox Restaurant Concepts LLC v 43 North Restaurant Group Inc.*, 2022 FC 1149.

[2] *Ibid*, para 24 (citations omitted).

[3] The decision refers to a claim of "trademark infringement (passing off)," but the claim appears to have been for passing off.
