

## Unfounded Claims of IP Infringement Present Significant Risks: Competitor's False Amazon Infringement Notices Lead to Damages

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Making unfounded claims of intellectual property infringement to third parties can have significant repercussions. For instance, submitting unfounded complaints to Amazon or other retailers that a competitor's product infringes your patent, copyright or trademark rights can expose you to liability. Section 7(a) of the *Trademarks Act* prohibits the making of false or misleading statements about a competitor if there are not sufficient grounds for the allegations.

These risks were highlighted in the recent summary trial decision of the Supreme Court of British Columbia in *Keezio Group, LLC v The Shrunks' Family Toy Company Inc.*, 2024 BCSC 64.

### Background

Keezio Group, LLC (Keezio) and The Shrunks' Family Toy Company Inc. (The Shrunks) both sold inflatable beds through Amazon. Keezio brought a claim alleging that, among other things, The Shrunks had made unfounded complaints to Amazon that Keezio infringed The Shrunks intellectual property. The Shrunks were also accused of posting a negative review online, which caused Keezio to lose business.

The most relevant communications before the Court on summary trial were infringement complaints The Shrunks made to Amazon in November 2019 alleging violation of The Shrunks trademark rights and copyright by Keezio. These complaints led to Amazon de-listing certain Keezio's products for several days. The Court found that the allegations were actionable and that The Shrunks were liable for these complaints.

### The Shrunks was Liable for Making Unfounded Infringement Claims

Section 7(a) of the *Trademarks Act* prohibits the making of false or misleading statements tending to discredit the business, goods or services of a competitor. To make out a claim under section 7(a) a plaintiff must show that the defendant made such a statement and that damage to the plaintiff resulted. Notably, the defendant does not have to have known that the statement was false or misleading, and the statement does not have to have been made maliciously; if the elements of the claim are made out, the defendant is liable.

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In this case, the first question was whether the complaints to Amazon were false or misleading.

The Court considered both the trademark and copyright complaints and found that they were indeed. The trademark claim related to the display by Keezio of the name “The Shrunks” (a registered trademark) in a table that appeared on a webpage and provided a comparison of the parties’ products. While highly fact dependent, the Court noted that the use of a trademark in comparative advertising has been held not to amount to trademark infringement (or depreciation of goodwill), and so the allegation in the complaint was false.

The copyright claim was made in relation to product pages for Keezio’s Hiccapop Bed (the actual complaint submitted was not in evidence). The Court noted that section 64(2) of the *Copyright Act* includes an exception to copyright infringement where the copyright relates to the design of a useful article that is reproduced in a quantity of more than fifty—in that case, reproduction of the design does not infringe copyright. The Court concluded that the exception clearly applied to The Shrunks inflatable beds, and so the copyright infringement claim was also false.

Secondly, the Court concluded that these complaints tended to discredit Keezio’s business, goods or services, because they misled Amazon into removing the product listing pages for Keezio’s products.

Keezio claimed damages based on its alleged lost profits of US\$93,718. The Court found that Keezio failed to provide adequate evidence in support of the amount claimed. Instead, the Court calculated Keezio’s damages by comparing its sales during the equivalent period in 2018 to the number of days the products were delisted on Amazon (which included Black Friday and Cyber Monday), multiplied by a US\$50 profit margin. Keezio was therefore awarded damages of US\$24,450 and costs of C\$9,500. The Court declined to award a permanent injunction or punitive damages, noting that The Shrunks statements were not made maliciously but seemed to have been the result of a fundamental misunderstanding of the nature of The Shrunks intellectual property rights.

Although not specifically addressed in this case, false or misleading statements are also potentially actionable under the *Competition Act*, other provisions in the *Trademarks Act*, or at common law. Indeed, Keezio advanced claims for defamation, injurious falsehood and other causes of action, but conceded at the hearing that they were duplicative or overlapped with the claims under the *Trademarks Act*.

## The Takeaways

This case is a reminder of the risks associated with making claims of intellectual property infringement and, in particular, making such claims to third parties, rather than to the alleged infringer directly. It is not just allegations to online retailers like Amazon that can cause problems; statements made to manufacturers, distributors, and customers of an alleged infringer might attract liability. Intellectual property rights owners

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should avoid the overzealous use of retailers' complaint procedures in instances where there is not a clear case of infringement.

For more information, if you have questions about whether you have grounds for an infringement claim, or if you have received a notice or claim of infringement, please contact any member of our Intellectual Property Group.

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