

Intellectual Property

RECENT DEVELOPMENTS OF IMPORTANCE

**ROBERT A. MACDONALD
KEVIN SARTORIO • LISA VATCH
Gowlings Lafleur Henderson LLP**

Supreme Court of Canada Gives Hope to Owners of Famous Marks

In two landmark decisions, the Supreme Court of Canada has put the Canadian law on the protection of famous trademarks back on course. While the Court ultimately dismissed the appeals in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, and *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, on the basis that the evidence did not establish a likelihood of confusion, the Court went on to reject the limitations placed on the protection of famous marks by the infamous case of *United Artists Corp. v. Pink Panther Beauty Corp.* (1998), 80 C.P.R. (3d) 247 (F.C.A.).

Background

Prior to the *Veuve Clicquot* and *Mattel* decisions, the Canadian law on the protection of famous marks was limited by the decision of the Federal Court of Appeal in *United Artists* in which Linden J.A. held that:

The wide scope of protection afforded by the fame of the appellant's mark only becomes relevant when applying it to a connection between the applicant's and the opponent's trades and services. No matter how famous a mark is, it cannot be used to create a connection that does not exist.

Linden J. A. went on to hold that

... the issue to be decided is not how famous the mark is, but whether there is a likelihood of confusion in the mind of the average consumer between United Artists' mark and the one proposed by the appellant with respect to the goods and services specified. That question must be answered in the negative. There is no likelihood of confusion as to the source of the products. *The key factor here is the gaping divergence in the nature of the wares and in the nature of the trade. It is not a fissure but a chasm.* (emphasis added)

... Based only on the fact that the respondent's mark is famous, there should not be an automatic assumption of confusion. The cases make this clear. . . In the circumstances, remembering that the test to be met is *likelihood* of confusion (not possibility of confusion), I do not see how the fame of the mark acts as a marketing trump card such that the other factors are thereby obliterated. (emphasis in original)

United Artists obtained leave to appeal to the Supreme Court of Canada, but the case was resolved before the appeal could be heard. The fact that leave was granted may have reflected a concern by the Court that the decision unduly restricted Canadian law on the protection of trademarks and, when one considers the historical background, such a concern would have been well founded.

State of the Law Prior to *United Artists*

In the 1953 *Report of the Trademark Law Revision Committee*, it was recognized that

[s]ome trademarks are so well known that the use of the same or similar trademarks on any wares of any kind would cause the general purchasing public to believe that the original user and owner of the trademark was in some way responsible for the wares to which the use of the mark has been extended.

The committee went on to find that [m]odern business has passed beyond the applicability of principles originally established over a century ago. In the beginning, it was debatable whether a merchant's goodwill extended beyond goods of the class specifically dealt in by him. . . . The law should expand to keep pace with the times. . . . Goodwill built up in a trademark . . . should invest the owner of the mark with a proprietary right in respect of which he is entitled to protection. . . . When a trader has established a name or mark and invested it with an honorable public reputation, if others borrow

that mark for use in association with articles of a kind other than those dealt in by the original trader, the impression may easily arise that they are also the product of the proprietor of the trademark. It is naturally supposed by many that the old concern has gone into a new field.

The committee concluded that

... *In a proper case this ambit of protection can be widened to include the whole of the course of trade or restricted to a field limited by the use which has been made of a trademark or trade name and the reputation acquired by it.* (emphasis added)

The recommendations of the committee were codified in section 6 of the *Trade-marks Act* ("the Act"):

The use of a trademark causes confusion with another trademark if the use of both trademarks in the same area would be likely to lead to the inference that the wares or services associated with those trademarks are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.

Section 6 goes on to require that, in determining whether or not trademarks are confusing, regard be had to all the surrounding circumstances.

- the inherent distinctiveness of the trademarks and the extent to which they have become known;
- the length of time the trademarks have been in use;
- the nature of the wares, services or business;
- the nature of the trade; and
- the degree of resemblance between the marks.

What was recognized by the enactment of section 6 of the *Act* was that some marks can become so well known that the reputation will essentially jump product categories. This recognition is well established internationally, for example in Article 6bis of the *Paris Convention* and more recently in Article 16(3) of the *TRIPS Agreement*. In

each case, whether or not there is a likelihood of confusion will always be a matter of fact to be determined on the basis of all the surrounding circumstances. What Canada did was to remove any precondition to a finding of confusion that there be a connection between the wares or services and to recognize that consumers might assume a connection regardless of the nature of the wares or services.

There are many examples of protection of famous marks prior to the *United Artists* case:

- JOHNNIE WALKER for whisky and JOHNNY WALKER for sporting equipment (1965);
- BEEFEATERS for gin and BEEFEATER for sauce mixes, Yorkshire pudding mixes, spices and condiments (1967);
- HAIG & HAIG for whisky and HAIG for beer (1975);
- HERE'S JOHNNY for clothing and entertainment services and HERE'S JOHNNY for portable trailers, out-houses and lavatory facilities (1980);
- VOGUE for fashion magazines and VOGUE for costume jewelry (1980);
- CUTTY SARK for whisky and CUTTY SARK for pipe tobacco (1980);
- POLYSAR for resins and POLYSTAR for carpet cushioning (1985);
- SUNLIFE for insurance and promotion of physical fitness and SUNLIFE for juice (1988);
- MISS CANADA for beauty pageants and MISS CANADA for hosiery and pantyhose (1990);
- VISA for credit card services and VISA for auto dealership services (1991); and
- 007 for movies and 007 for restaurant services (1991).

What did Linden J.A. say of all these cases in *United Artists*?

In each of these cases the famous mark prevailed, but in each case a connection or similarity in the products or services was found. *Where no such connection is established, it is very difficult to justify the extension of property rights into areas of commerce that do not remotely affect the trademark holder. Only in exceptional circumstances, if ever, should this be the case.* (emphasis added)

A more accurate characterization may be that, in the cases noted above, the courts did not base their decisions on the existence of a connection between the wares or services in question, but rather considered whether consumers might assume a connection based on various factors, including the fame of the mark.

United Artists diverted from the path followed by the courts over the years since the enactment of the *Act* and essentially changed the test for confusion from what would likely be in the mind of the average consumer (i.e., will the consumer make a connection) to whether the trademark owner is actually occupying a specific marketplace (i.e., *competition*). The Supreme Court of Canada has now put Canadian trademark law back on the proper path.

Facts Giving Rise to the Appeals

In 1994, a restaurateur filed an application to register the trademark BARBIE'S & Design for use with restaurant services, takeout restaurant services, catering and banquet services. Mattel opposed the application on the grounds that it was confusing with Mattel's BARBIE trademark.

The Registrar of Trademarks ("the Registrar") found that Mattel's BARBIE mark was "very well known, if not famous," that Mattel "has been using its mark BARBIE in Canada since the early 1960s," and that the "marks are essentially the same aurally and in the ideas they suggest, and the overall visual impressions of the marks in issue are also essentially the same." However, the Registrar also found that the wares, services and target clientele in question were "quite different." Relying on the *United Artists* decision, the Registrar concluded that, given the lack of connection between Mattel's wares and the restaurants' services, there was no likelihood of confusion.

Mattel appealed to the Federal Court and filed survey evidence to support its argument that there was a likelihood of confusion between the trademarks. The Federal Court agreed that Mattel's BARBIE trademark was "very well known—indeed, famous," but rejected the survey evidence. The Federal Court then applied the *United Artists* requirement that there be a "connection" between the respective wares and services as a precondition to a finding of confusion between the marks, and dismissed the appeal.

Mattel appealed again. In brief reasons, the Federal Court of Appeal dismissed Mattel's appeal.

The Supreme Court of Canada granted Mattel leave to appeal, and it agreed to hear the *Mattel* case in conjunction with the *Veuve Clicquot* case.

The *Veuve Clicquot* case involved the well-known trademark VEUVE CLICQUOT, which has been used on champagne for over 100 years in Canada. The respondent operated a women's clothing boutique in Quebec under the registered marks CLIQUOT and CLIQUOT "UN MONDE À PART." Veuve Clicquot sued the CLIQUOT clothing boutique ("the Boutique") under sections 20 and 22 of the *Act*. Sections 20 and 22 represent two very different causes of action.

Section 20 deems the exclusive rights of a registered trademark owner (Veuve Clicquot) to be infringed by a junior user that sells, distributes or advertises wares or services in Canada in association with a "confusing" trademark. In contrast to the concept of "confusion" under sections 6 and 20, section 22(1) of the *Act* provides:

No person shall use a trademark registered by another person in a manner that is likely to have the effect of *depreciating the value of the goodwill attaching thereto.* (emphasis added)

The purpose, scope and application of section 22(1) has until now attracted minimal judicial attention in Canada.

In *Veuve Clicquot*, the trial judge found that the champagne maker's senior mark VEUVE CLICQUOT was inherently distinctive, well known in Canada from more than 100 years of use and also "unique," in that there are no similar marks in use in Canada with other wares or services. The most distinctive element of the senior VEUVE CLICQUOT mark was held to be the element CLICQUOT. Nevertheless, applying the law as stated in *United Artists*, the trial judge held that the fame and distinctiveness of the champagne maker's trademark were insufficient to overcome the lack of any "connection" between champagne and a women's clothing boutique, and thus he dismissed the action for confusion under section 20.

The trial judge also dismissed the champagne maker's action for depreciation of value of goodwill under section 22, rea-

Intellectual Property

RECENT DEVELOPMENTS OF IMPORTANCE

soning in part that depreciation was unlikely where consumers are unlikely to draw a *connection* between CLIQUOT clothing boutiques and VEUVE CLICQUOT champagne.

The Federal Court of Appeal affirmed the trial judge's approach to sections 20 and 22 in a summary way. Leave to appeal to the Supreme Court of Canada was granted, and the International Trademark Association ("INTA") was granted leave to intervene.

Confusion

The Supreme Court of Canada dismissed the appeals of both Mattel and Veuve Clicquot, taking the position that, on the evidence filed before the lower courts, it had not been established that there was a reasonable likelihood of confusion. However, the Court went on to make it clear that, to the extent that *United Artists* required a connection between the wares or services in question, *United Artists* was wrong. On that basis, the Supreme Court decisions should give hope to owners of famous marks that they will be properly protected in Canada.

Writing for the Supreme Court in both decisions, Mr. Justice Binnie explored the purpose of trademark law in general, noting in the *Mattel* case that a trademark owner's rights rest

... not on conferring a benefit on the public in the sense of patents or copyrights but on serving an important public interest in assuring consumers that they are buying from the source from whom they think they are buying and receiving the quality which they associate with that particular trademark. Trademarks thus operate as a kind of shortcut to get consumers to where they want to go, and in that way perform a key function in a market economy. Trademark law rests on the principles of fair dealing. It is sometimes said to hold the balance between free competition and fair competition.

Binnie J. went on to state that fairness requires a balancing of the interests of the trademark owner with the interests of the public and of other traders so that a trademark is not given "a zone of exclusivity and protection that overshoots the pur-

pose of trademark law." With that said, Binnie J. went on to give guidelines as to how to strike the appropriate balance, essentially going back to first principles and noting that the determination of whether or not two trademarks are confusing must be decided after a consideration of all of the surrounding circumstances. The assessment as to whether there is a reasonable likelihood of confusion must be decided from the perspective of an average consumer:

It is not that of the careful and diligent purchaser. Nor, on the other hand, is it the "moron in a hurry" . . . It is rather a mythical consumer who stands somewhere in between, dubbed in [1927] . . . as the "ordinary hurried purchasers" . . .

On this point, Binnie J. agreed with Linden J.A. in the *United Artists* case: ". . . we owe the average consumer a certain amount of credit. . . ."

Binnie J. then turned his attention to a consideration of whether *United Artists* skewed the test for confusion. He started with the proposition that the *Act*, as enacted in 1953, gave famous marks a significantly broader ambit of protection and that, in some cases, "the courts emphasized that a significant dissimilarity in wares or services was no longer fatal." With that said, Binnie J. concluded that Linden J.A. was wrong when he stated:

. . . [I]n each case a connection or similarity in the products or services was found. Where no such connection is established, it is very difficult to justify the extension of property rights into areas of commerce that do not remotely affect the trademark holder. Only in exceptional circumstances, if ever, should this be the case.

Binnie J. agreed with Mattel that this test put the bar too high and imposed rigidity where none exists. Binnie J. concluded that

[i]f the result of the use of the new mark would be to introduce confusion into the marketplace, it should

not be accepted for registration "whether or not the wares or services are of the same general class" (s. 6(2)). The relevant point about famous marks is that fame *is* capable of carrying the mark across product lines where lesser marks would be circumscribed to their traditional wares or services.

The decision of the Court is a move in the right direction. It has removed the restrictions placed on trademark owners by the *United Artists* case, which is good news for trademarks owners generally. However, the Court did agree with Linden's words in *United Artists* when he said that the fame of a mark will not act as a marketing trump card such that all other factors, including the nature of the wares and services, are obliterated. Just as a difference in the wares and services should not be determinative, the fame of a mark will not deliver the knockout blow—each situation must be judged in its full factual context.

Depreciation of Goodwill

While the *Mattel* case focused on confusion, the *Veuve Clicquot* case also considered the issue of depreciation of goodwill.

In 1953, the Trademark Law Revision Committee recognized that the protection of the goodwill was also important:

A trademark statute should be designed to protect fair trading and, in our view, anything that depreciates the value of the goodwill attaching to a trademark should be prohibited. We have, therefore, made a positive provision to that effect in s. 22. If, therefore, a well-known trademark is used by other than the trademark owner in such a manner as would not previously have constituted grounds for an action either of infringement or passing off, but which has the effect of bringing the trademark into contempt or disrepute in the public mind, the trademark owner will be in a position to seek a remedy.

Section 22(1) of the *Trade-marks Act* provides that no person shall use a trademark registered by another person in a

manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto. Unfortunately, the usefulness of this section to owners of famous marks was limited by the decision in *Clairol International Corp. v. Thomas Supply and Equipment Co.* (1968), 55 C.P.R. 176 (Ex. Ct.).

While depreciation was raised as an issue in the courts below, it was not until the intervention by INTA at the Supreme Court of Canada that the issue took on real importance.

The Court noted that section 22 does not require a demonstration of confusion; rather, *Veuve Clicquot* need only show that the boutique “made use of marks sufficiently similar to VEUVE CLICQUOT to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill” in the VEUVE CLICQUOT mark. However, the Court cautioned that a mental association of the two marks does not, in and of itself, give rise to a likelihood of depreciation.

Writing for the Court, Binnie J. noted that section 22 has four distinct elements:

- The plaintiff’s registered trademark

is used by the defendant in connection with wares or services, whether or not the wares or services are competitive with those of the plaintiff. The defendant need not use the identical trademark—“[i]f the casual observer would recognize the mark used by the [defendant] as the mark of the [plaintiff],” that would suffice.

- The plaintiff’s registered trademark is sufficiently well known to have significant goodwill attached to it. The mark need not be well known or famous, but “a defendant cannot depreciate the value of the goodwill that does not exist.”
- The plaintiff’s mark is used in a manner likely to have an effect on the goodwill. The Court emphasized that “likelihood” is a matter of evidence, not speculation, and the mere use of a famous mark by someone other than the owner will not have the effect of depreciating goodwill.
- The likely effect would be to depreciate the value of the goodwill.

In this situation, *Veuve Clicquot* failed on the basis that it had not shown that the

consumer would make a link, connection or mental association between *Veuve Clicquot* and the boutique with the result that there could be no depreciation of the goodwill in the trademark. (“There would be no negative perceptions to tarnish its positive aura.”)

While the Supreme Court has given us some guidance on the application of section 22, it remains to be seen how useful the section will prove to be for the protection of famous marks. The one key point is that the challenged mark need not be identical to the registered trademark, a limitation imposed in 1968 in the *Clairol* case. The Supreme Court ruled that section 22 must be interpreted in light of its remedial purpose, and that the section therefore covered a defendant’s use of a mark which is “sufficiently similar” to the registered mark.

Conclusion

While, on the evidence before the Court, the challenged marks were not found to be confusing with the famous *BARBIE* and *VEUVE CLICQUOT* marks, the decisions should be welcomed as bringing Canadian law back into step with the international standards on the protection of famous marks. ■



Robert A. MacDonald, *Gowling Lafleur Henderson LLP*

Tel: (613) 786-0150 • Fax: (613) 788-3443 • E-mail: robert.macdonald@gowlings.com

Former head of Intellectual Property Department. Currently the national Professional Services Leader for Gowlings and responsible for the Firm’s Moscow office. Practises in all areas of trademark practice, including prosecution, licensing, oppositions and litigation in the FCC. Work ranges from advising small businesses on trademark protection to arranging worldwide assignments and licensing of trademark rights for multinational corporations. Listed in the 2000 *LEXPERT/American Lawyer Guide to the Leading 500 Lawyers in Canada*. Worked with various committees in the development of trademark legislation and policies. Past Chair of the CBA’s Trademark Legislation Committee. Past Chair of the IPIC Committee on Harmonization and Madrid Treaty. Fellow of IPIC and member of the CBA, ABA and Marques. Called to the Ontario Bar in 1983.



Kevin Sartorio, *Gowling Lafleur Henderson LLP*

Tel: (416) 862-4492 • Fax: (416) 862-7661 • E-mail: kevin.sartorio@gowlings.com

Kevin Sartorio is a senior associate in Gowlings’ Toronto IP Litigation Group. Mr. Sartorio’s practice extends to all areas of intellectual property and he has appeared as counsel in several important intellectual property cases, including before the Supreme Court of Canada in *CCH Canadian v. Law Society of Upper Canada* and *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltee*. He has authored several published articles and commentaries on various aspects of intellectual property law in Canada.



Lisa Vatch, *Gowling Lafleur Henderson LLP*

Tel: (613) 786-8651 • Fax: (613) 563-9869 • E-mail: lisa.vatch@gowlings.com

Lisa Vatch is an associate in the Intellectual Property Department, practising primarily in the area of trademark law. Lisa received her Master of Laws from Duke University in 2004, and her Bachelor of Laws from the University of Toronto in 2003. Lisa served as Submissions Manager and French Language Associate Editor of the University of Toronto Faculty of Law Review. Lisa was called to the Bar of Ontario in 2005 and is a member of the Law Society of Upper Canada and the Canadian Bar Association.