

**IN THE SUPREME COURT OF CANADA**  
(ON APPEAL FROM THE FEDERAL COURT OF APPEAL)

B E T W E E N:

VEUVE CLICQUOT PONSARDIN, MAISON FONDÉE EN 1772

Appellant  
(Appellant)

- and -

LES BOUTIQUES CLIQUOT LTÉE,  
MADEMOISELLE CHARMANTE INC. and  
3017320 CANADA INC.

Respondents  
(Respondents)

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**FACTUM OF THE INTERVENER**  
**(THE INTERNATIONAL TRADEMARK ASSOCIATION)**

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## PART I - OVERVIEW

1. The International Trademark Association (“INTA”) is a 127-year-old non-profit organization comprised of over 4,700 members around the world, including over 125 companies and firms in Canada. INTA’s membership includes trade-mark owners across all fields of industry and leading trade-mark professionals, all of whom value the essential role that trade-marks play in promoting fair and effective national and international commerce.

2. INTA’s submissions are offered to assist the Court in its consideration of the nature and scope of protection for famous marks under the *Trade-marks Act*. INTA takes no position regarding the findings of fact made by the courts below. Where findings of fact are referenced, it is done simply to illustrate the application of legal principles that INTA respectfully submits ought to apply.

3. With the enactment of the *Trade-marks Act* (the “Act”) in 1953, Canadian law underwent a transformation designed to modernize and expand the ambit of protection afforded to trade-marks in Canada. The intention was to create a legislative framework that reflected modern commercial realities in providing broad and flexible coverage for trade-marks.

4. However, the modern principles of law and policy upon which the 1953 legislation was based, and specifically those embodied in s. 6 of the *Act*, have been significantly misunderstood by the Federal Court in considering the scope of protection afforded to famous trade-marks. In this case, as in a number of similar cases that have preceded it, the Federal Court has failed to apply s. 6 in the manner in which it was intended to be applied to famous marks.

5. A second issue that was fully litigated in the courts below, although only referred to indirectly in the *Factums* filed in this Court, is the application of s. 22 of the *Act* in relation to famous trade-marks. In an effort to assist the Court in understanding the overall framework of the *Act* and the scope of its provisions as they apply to the protection of famous marks in Canada, INTA will also address the history and principles relating to s. 22, as they pertain to famous marks.

## PART II - SUBMISSIONS OF THE INTERVENER

6. The purpose of trade-mark law is to protect the legitimate rights of trade-mark owners in their marks and the value of the goodwill that they have built up in them. Both trade-mark owners and the public have an interest in the honest use of trade-marks and the scope of protection that is available to them, to ensure fair competition in a free market economy. The following is submitted as an appropriate expression of the broader objectives of Canadian trade-mark law:

The Applicant has made much of the need for trade-marks to be regulated in order to protect the consumer from deception as to the source and/or quality of wares available in the marketplace. Indeed, that is one of the aims of the legislation. However, the Act also seeks to protect the rightful owners of trade-marks from unfair competition. This policy is part of the larger goal of ensuring stability in the marketplace, allowing the owners of registered trade-marks to invest in building up goodwill surrounding their valid and registered trade-marks: *Consorzio del Prosciutto di Parma v. Maple Leaf Meats Inc.* (2001), 11 C.P.R. (4th) 48 (F.C.T.D.) at para. 21; aff'd 2002 FCA 169.

7. The right to invoke the aid of the courts to protect trade-mark rights originated under the common law. Trade-mark legislation was later enacted to provide a statutory regime for the registration of marks and to allow owners to obtain speedier and more effective remedies for violations of their rights: *Fox on Canadian Law of Trade-Marks and Unfair Competition*, 4th ed. (Toronto: Carswell, loose-leaf) (“*Fox (4th)*”), at pp. 1-1, 1-2. Modern trade-mark law has evolved since its creation in response to changing commercial realities and the functional evolution of trade-marks themselves.

### Historical Origins

8. The development of the modern trade-mark can be traced back to medieval use of merchant’s and craftsmen’s marks. The former were marks of property used to establish ownership, for example if cargo was lost at sea and recovered. The latter were marks that guilds in England and Europe required craftsmen to affix to goods, enabling the guilds to enforce local trading monopolies and identify the source of defective goods: Frank I. Schechter, *The Historical Foundations of the Law Relating to Trade-marks* (Columbia Univ. Press: N.Y., 1925) (“*Historical Origins*”), pp. 19 to 21, 38 to 41, 78.

9. Neither was a “trade-mark” in the modern sense of being a capital asset of the mark’s owner or a symbol of quality, association or source for consumers. During these early times, consumers most often purchased goods directly from merchants and craftsmen and, to a great extent, manufacturing sources and reputations were known first hand. Under these conditions, marks of trade carried little economic significance: *Historical Origins*, pp. 40, 41.

10. The commercial importance of trade-marks began to take on greater significance in the mid-19th century in the context of the Industrial Revolution. Manufacturing and distribution advances allowed goods to be made in one location, transported across greater distances, and sold elsewhere. Trade-marks came to be relied upon by the public as an indication of the source of the goods, and it was during this period that trade-mark principles developed based on the concept that a trade-mark served as a symbol of source or origin: *Historical Origins*, pp. 129, 130.

11. These principles limited trade-mark protection to the class of goods and territorial jurisdictions in relation to which the mark was used. “Source” theory also prevented the licensing of marks, because to do so would mean that the trade-mark no longer served as an indicator of its original exclusive source: see *e.g. Report of Trade Mark Law Revision Committee to the Secretary of State of Canada*, January 20, 1953 (Ottawa: Queen’s Printer, 1953) (“Committee Report”), pp. 9, 24, 25.

12. As commercial activities and advertising expanded and diversified over time, the appropriateness of the source theory and its related principles were brought into question: *e.g. Historical Origins*, pp. 156 to 160. However, despite concerns that the law had fallen out of step with modern realities, trade-mark law continued into the 20th century to be dominated by traditional 19th century concepts of trade-mark use, function and protection.

## Trade-Mark Law Reform in Canada

13. The failure of early trade-mark principles to respond to the needs of modern commerce led to law reform initiatives in several countries, first in the United Kingdom in 1938 and then the United States in 1946. Canada's trade-mark law reform began to take shape in 1947, when the Secretary of State commissioned a "Trade Mark Law Revision Committee" to study Canada's trade-mark laws and report back on revisions that should be made to them: E. Gordon Gowling, "The New Canadian Trade Marks Act" (1954), 19 C.P.R. 57 (Sec. I) at 57 to 60. The Committee was chaired by Dr. H.G. Fox and included other leading scholars and practitioners in the field at the time. After obtaining the views of organizations and individuals in Canada, the United States and the United Kingdom, the Committee presented its Report to Parliament in 1953, together with a draft statute. With very minor changes, Parliament enacted the Committee's proposed statute as the *Trade-marks Act: Committee Report*, pp. 3 to 5; *Fox (4th)*, p. 1-8.

14. Given the Committee's mandate and membership, the nature and scope of its study, its explanations as to recommended principles and policies, and Parliament's subsequent enactment of its draft statute, it is useful to refer to the Committee's Report as an interpretive aid in understanding the intention behind provisions of the *Act*. From this Report, it is clear that the new *Act* was designed to encourage the commercial exploitation of trade-mark rights and widen the ambit of trade-mark protection in Canada, including the ambit of protection available for famous marks: *e.g.*, *Committee Report*, pp. 9, 23 to 27, 38, 39; Christopher Robinson, Q.C. (Committee Member) "The Canadian Trade Marks Act of 1954 – A Review of Some of Its Features" (1959), 32 C.P.R. 45 (Sec. I) at 51 to 53; John C. Osborne (Committee Member) "New Canadian Trade Mark Law" (1954), 44 T.M.R. 891 at 904 to 906.

15. The Committee rejected the strict "source theory" of trade-mark function in favour of the concept that trade-marks are assets of commercial value which serve as indications of quality, association and source. This paved the way for inclusion of a "registered user" regime for trade-mark licensing. Over time, even this regime was considered too restrictive and today s. 50 of the *Act* gives a trade-mark owner the full right to and benefit of any licensed use of its mark on the same or different wares and services: *Committee Report*, pp. 38, 39; *Trade-marks Act*, s. 50.

16. The Committee also rejected the view that trade-mark rights are enjoyed only in relation to the specific wares for which the mark is used. Instead, it incorporated the flexible concept of trade-mark “confusion” in s. 6 of the *Act*, advising that in appropriate circumstances the ambit of protection for *well-known* marks should be widened to include the whole course of trade: *Committee Report*, pp. 23 to 27:

[p. 23] ... Some trade marks are so well known that use of the same or similar trade marks on any wares of any kind would cause the general purchasing public to believe that the original user and owner of the trade mark was in some way responsible for the wares to which the use of the mark has been extended ...

[p. 25] ... Modern business has passed beyond the applicability of principles originally established over a century ago. In the beginning, it was debateable whether a merchant’s goodwill extended beyond goods of the class specifically dealt in by him. Under modern conditions ... the law should expand to keep pace ... Goodwill built up in a trade mark by ... expenditures of large sums for advertising to familiarize the public therewith, 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 ... if others borrow that mark for use in association with articles of a kind other than those dealt in by the original dealer, the impression may easily arise that they are also the product of the proprietor of the trade mark. It is naturally supposed by many that the old concern has gone into a new field ...

[p. 26] ... confusion may exist as to the source of origin of wares or services, or as to the person who guarantees their character and quality ... whether or not [the] wares or services are of the same general class ...

[p. 27] ... the provisions ... we propose will relieve trade and commerce from the rigid and artificial boundaries which have been circumscribed around the ambit of trade mark protection ... In a proper case this ambit of protection can be widened to include the whole of the course of trade ... With this discretion available, particularly to the Courts ... unfair competition will be minimized ... [emphasis added]

17. Finally, and as is discussed more fully below in paragraphs 41 to 63 of this Factum, the Committee also concluded that well-known trade-marks should be protected from harm unrelated to trade-mark confusion, and therefore recommended incorporation of a fundamentally new provision into the *Act* (s. 22) to protect such marks against depreciation of the value of their goodwill, regardless of any potential for confusion: *Trade-marks Act*, s. 22; *Committee Report*, p. 26.

18. In sum, it is clear that the intent of the *Act* was to broaden substantially the scope of protection for trade-marks, and in particular for famous trade-marks, both under a “confusion” analysis (s. 6) and beyond such an analysis (s. 22).

### **Context of this Dispute**

19. In this case, the Appellant sued the Respondents under, *inter alia*, ss. 20 and 22 of the *Act*. Each of these provisions pertains to a distinct right and cause of action, and the determination of rights under one section is not determinative of rights under the other. The relevant portions are as follows:

20(1) The right of the owner of a registered trade-mark to its exclusive use shall be deemed to be infringed by a person not entitled to its use under this Act who sells, distributes or advertises wares or services in association with a confusing trade-mark ...

22(1) No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.

20. An important distinction between these two sections is apparent: s. 20 is concerned with confusion, while s. 22 (discussed subsequently) is concerned with depreciation of value.

### **Section 20 Requires Section 6 “Confusion”**

21. Subsection 20(1) deems the Respondents to have infringed the Appellant’s registered rights if the Respondents have sold, distributed or advertised services in association with a “confusing trade-mark.” Accordingly, the issue of infringement requires an analysis of “confusion” between trade-marks, the test for which is prescribed by s. 6 of the *Act*:

6(1) For the purposes of this Act, a trade-mark ... is confusing with another trade-mark ... if the use of the first mentioned trade-mark ... would cause confusion with the last mentioned trade-mark ... in the manner and circumstances described in this section.

6(2) The use of a trade-mark causes confusion with another trade-mark if the use of both trade-marks in the same area would be likely to lead to the inference that the wares or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.

22. It is respectfully submitted that the s. 6 concept of confusion should receive a purposive interpretation in light of the modern principle that a well-known trade-mark enjoys protection beyond the wares with which it is registered, bearing in mind that s. 6 was intended to be flexible and capable of protecting a famous mark across the entire spectrum of trade, without any requirement that there be a connection between the wares and services: *Committee Report*, pp. 23 to 27.

23. The Federal Court has failed to appreciate these principles in this case and in several other cases that have preceded it, including: *United Artists Corp. v. Pink Panther Beauty Corp.* (1998), 80 C.P.R. (3d) 247 (C.A.) (“*Pink Panther*”) and *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.* (2000), 9 C.P.R. (4th) 297 (C.A.) (“*Lexus*”).

24. Subsection 6(2) provides that use of the Respondents’ mark CLIQUOT would cause confusion with the Appellant’s marks if the use of both marks in the same area would be likely to lead to the *inference* that the Respondents’ stores are somehow associated with the VEUVE CLICQUOT brand, regardless of whether ladies wear stores and champagne are in the same “general class” of wares and services.

25. The use of the word “inference” in s. 6(2) is important. The test to be applied is a matter of first impression in the mind of an ordinary consumer upon seeing the CLIQUOT brand, having an imperfect recollection of the VEUVE CLICQUOT and/or CLICQUOT names, without giving the matter any detailed consideration or scrutiny, or examining closely the similarities and differences between the marks: *e.g., Benson & Hedges v. St. Regis Tobacco Corp.* (1968), 57 C.P.R. 1 (S.C.C.) at 11, *per* Pigeon J.; *Miss Universe, Inc. v. Bohna* (1994), 58 C.P.R. (3d) 381 (F.C.A.) at 387.

26. In determining whether trade-marks are confusing, s. 6(5) of the *Act* directs the court to have regard to all of the surrounding circumstances including:

- (a) the inherent distinctiveness of the trade-marks and the extent to which they have become known;
- (b) the length of time the trade-marks have been in use;
- (c) the nature of the wares and services;
- (d) the nature of the trade; and
- (e) the degree of resemblance between the trade-marks in appearance or sound or in the ideas suggested by them.

27. The strength of a mark is measured in three ways under the *Act*: by its inherent distinctiveness, the extent to which it has become known, and the length of time that it has been used. The trial judge found that the Appellant's CLICQUOT / VEUVE CLICQUOT marks were inherently distinctive, indeed unique. The Appellant's marks were also found to be well-known in Canada and to have been used for over 100 years: *Reasons of the Trial Judge, Appellant's Record, Volume I, Tab B1* ("Trial Reasons"), paras. 58, 60, 75.

28. In terms of the similarities between the marks themselves, the trial judge found that the most distinctive element of the Appellant's marks was the word CLICQUOT and that there was a "great deal of resemblance" between the parties' marks: *Trial Reasons*, paras. 44, 66, 75.

#### Requirement of Connection or Link Between the Wares and Services

29. In concluding that there was no confusion between the parties' marks, the lower courts appear to have been influenced by two factors. First, the trial judge considered that the Appellant had not demonstrated any intention of opening a retail store or selling clothing: *Trial Reasons*, paras. 45 to 48, 69, 71, 72. Consistent with the discussion of s. 6 above, it is respectfully submitted that this factor is irrelevant to a confusion analysis.

30. Second, the courts below considered that an inference of any association was unlikely because there was no “connection” between women’s clothing stores and champagne: *e.g.*, *Trial Reasons*, paras. 51, 69, 70, 74. It is respectfully submitted that while the existence of a connection between the parties’ wares and services can be an important consideration in the case of a weak senior mark, its importance diminishes as the strength of the mark increases, and in the case of a famous mark it has little bearing on the question of confusion.

31. In reaching her conclusions, the trial judge applied the test previously set out by the Federal Court of Appeal in its *Pink Panther* and *Lexus* decisions, which the Court of Appeal reaffirmed in this case. The Court of Appeal’s reasoning is predicated on an assumption that the purpose of the *Act* is to protect a trade-mark *only* with its registered wares and other “connected” wares. But INTA respectfully suggests that on this issue, those two cases were wrongly decided. As is clear from the following excerpts from the *Pink Panther* and *Lexus* decisions, the Court of Appeal made the same error in both cases of requiring a connection between the wares and services when the real issue in a s. 6 analysis is consumer confusion. These excerpts also highlight the extent to which the Court of Appeal has misunderstood the purpose and intention behind the revisions made to the *Act* in 1953, particularly in relation to the protection of famous marks:

***Pink Panther***

[p. 260] ... where one product does not suggest the other it will be a strong indication that confusion is unlikely ... This becomes clear in the discussion of famous trade-marks ...

[p. 266] ... This conclusion is consonant with the overall purpose of the Act, which is to provide the registered owner of a trade-mark with its exclusive use in association with specified wares and services ...

[p. 267] ... 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 trade and services. No matter how famous a trade-mark is, it cannot be used to create a connection that does not exist. [emphasis added]

### *Lexus*

[p. 300] ... It must be recalled that trade-marks are always used and recognized in association with certain wares or services ... The protection granted must be related to certain wares or services, because confusion is less likely when the wares are markedly different, even when the mark is a well-known one. The use of the phrase “whether or not the wares or services are of the same general class” as used in subsection 6(2) ... suggest only that confusion *may* be generated with goods that are not in the “same general class,” but still have some resemblance or linkage to the wares in question. [emphasis added]

32. By requiring that there be a connection, resemblance or linkage between the wares *per se* under the s. 6 confusion analysis, the Court of Appeal has failed to appreciate the purpose of the changes that were brought about in 1953. In effect, the Court of Appeal has applied the law as it stood prior to the 1953 statute, at which time trade-mark rights were limited to the registered wares and to other related or similar wares. The Court of Appeal’s reasoning in *Pink Panther* and *Lexus* prevents even the most famous marks from being protected for unrelated wares, whereas the *Act* was intended to be capable of protecting famous trade-marks for the whole of trade: *Committee Report*, pp. 23 to 27.

33. Subsection 6(2) was deliberately worded to make it clear that an inference of brand association can arise whether or not the wares or services in question are of the “same general class.” As a practical matter, there may never be any “connection” between wares or services that are not in the same “general class.” To require that there must be a “connection” defeats the purpose of this important change in the ambit of protection afforded to well-known marks as contemplated by the 1953 *Act*.

34. Rather, the inference of brand association or confusion can arise, in the case of a famous mark, from the similarity or identity of the junior mark to the famous mark, and it is precisely because of the senior mark’s fame that use of the junior mark generates the brand association or confusion. Of course, all of the s. 6 factors must be considered. But, in the case of a famous mark, the fame of the mark will weigh more heavily and can and should lead to an inference of brand association or confusion, at least where the mark is distinctive and not commonly used, and where other circumstances support an inference of confusion, *e.g.* cases where consumers are likely to encounter both marks.

35. Accordingly, in this case, the “confusion” issue is not whether a women’s clothing store has any connection with champagne. The issue is whether an ordinary consumer would infer, on seeing CLIQUOT advertising for these stores, that there is some association with the well-known senior brand of which the consumer is assumed to have an imperfect recollection.

36. When the senior mark is weak (because it is not well-known, or lacks inherent distinctiveness or is commonly used), its ambit of protection may not extend beyond wares and services of a related class, unless other circumstances are present which justify extended protection. However, the opposite is true for famous marks. The *Act* was intended to provide well-known trade-marks with a broad ambit of protection, including protection extending to unconnected wares and services. When a mark is famous and distinctive, it is likely that a junior use of the same or similar mark will generate an association in the consumer’s mind regardless of any similarity or connection between the wares.

37. Paragraphs 6(5)(c) and (d) of the *Act*, which refer to the nature of the wares and trade, do not support the Court of Appeal’s requirement that there be a connection between the wares or trade. These paragraphs include the “nature” of the wares and the trade as part of the surrounding circumstances to consider: Is there anything in the “nature” of the wares or trade that would be relevant in assessing the likelihood of confusion?

38. In the context of well-known marks, rather than requiring a connection between the wares, the more important consideration is whether the ordinary consumer familiar with the senior brand would reasonably be expected to come into contact with the junior party’s branded activities or advertising, and *vice versa*. In the case under appeal, both commercial ventures appeal to retail consumers and it might be expected that the use and advertising of their respective wares and services, in the same area, would be likely to come to the attention of a similar consumer base.

39. For well-known and established trade-marks, modern commercial practice and consumer experience must also be kept in mind. Famous brand names have a commercial attractiveness in and of themselves. A computer mouse pad that bears (without authorization) the name COCA-COLA may be more attractive to consumers than the same product without the brand name. This is not because consumers believe the soft-drink company made the pad or that soft drinks and mouse pads are connected. The natural inference is simply that the soft-drink company has licensed the use of its famous brand on the mouse pad, which it is entitled to do under s. 50 of the *Act*. At the same time, the fact that the owner of the COCA-COLA brand had no intention of licensing the use of its name to a mouse pad manufacturer should not have any bearing on its right to protection.

40. In summary, when a senior mark is distinctive and well-known, the *Act* was intended to provide it with a broad ambit of protection, including in relation to unrelated and unconnected wares and services. When the senior mark is famous, it is likely that a junior use of the same or similar mark will generate an inference of association in the consumer's mind arising from the similarity of the marks, regardless of any similarity or connection between the wares. The lower courts entirely missed this point and have interpreted s. 6(2) in a restrictive manner that defeats its underlying intent to broaden the ambit of protection for famous marks, including in relation to unconnected wares and services.

## **Section 22 Relates to the “Depreciation of Value”**

### Historical Perspective to Section 22

41. In fulfilling its mandate to consider and report back concerning the ambit of protection to be accorded to trade-marks, the Trade Mark Law Revision Committee concluded in 1953 that trade-marks should also be protected from harm in circumstances that are unrelated to “confusion.” A fundamentally new provision, based on the right to protect the value of the goodwill attaching to a trade-mark, was included as s. 22 of the *Act*: “*No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto*”: *Report*, p. 26.

42. Section 22 uses purposive language. It is intended to protect the value of the goodwill in the trade-mark itself, as opposed to the goodwill in the business to which the trade-mark relates. Section 22 is not concerned with “confusion.” One important function of s. 22 was explained in contemporary writings by Committee chair Dr. Fox in *The Canadian Law of Trade Marks and Unfair Competition, 2nd ed.* (Toronto: Carswell, 1956), pp. 506 to 509 and Committee member Christopher Robinson, Q.C. in “*The Canadian Trade Marks Act of 1954 – A Review of Some of Its Features*,” *supra*, at 60:

**Dr. Fox:**

[p. 506] ... In addition, the 1953 statute [s. 22] imports an entirely new principle into trade mark law ...

[p. 507] ... the depreciation of the value of the goodwill attaching to the trade mark or, expressed in different terms, the dilution of the distinctiveness or unique character of the trade mark. This is quite different from the orthodox type of infringement ...

[p. 508] ... Where a well known trade mark is taken by another for use in association with wares ... of a totally different class ... the purchaser ... will not be deceived ... But in the course of time, and with repeated use, the trade mark diminishes in value just as it diminishes in distinctiveness. Uniqueness is the qualifying point of distinctiveness and if the same trade mark is permitted to be used in association with the thousand and one different classes of wares entering into modern commerce, that trade mark is no longer unique but becomes practically an every-day word in the language ...

[p. 509] ... In the United States as well as in continental Europe, the courts have been vigilant in protecting this dilution of the uniqueness of trade marks. [emphasis added]

**Christopher Robinson, Q.C.:**

[p. 60] ... A provision of this type is found in the legislation of certain states in the United States of America, *e.g.* Massachusetts ... It will be appreciated that this provision goes beyond conventional protection ... because it is not limited to cases where confusion may arise. It was included ... in an attempt to deal with cases where a registered trade mark, with a very good and wide reputation, is used ... in circumstances where ... the public would be unlikely to assume that the wares or services of the other person originated with the trade mark owner ... The trade mark KODAK would be likely to be considerably less valuable to its owner if it were used by others in connection with a wide variety of other wares even if these were so unrelated to photographic equipment that nobody would think that they originated with the trade mark owner. [emphasis added]

43. The “dilution” principle of trade-mark protection was explained by Frank I. Schechter in his seminal article “The Rational Basis of Trademark Protection,” (1927) 40 Harv. L. Rev. 813:

[p. 818] ... To describe a trademark merely as a symbol of goodwill, without recognizing in it an agency for the actual creation of perpetuation of goodwill, ignores the most potent aspect of the nature of a trademark and that phase most in need of protection. To say that a trademark “is merely the visible manifestation of the more important business goodwill, which is the ‘property’ to be protected against invasion ... does not accurately state the function of a trademark today and obscures the problem of its adequate protection ...

[p. 819] ... today the trademark is not merely the symbol of goodwill but often the most effective agent for the creation of goodwill, imprinting upon the public mind an anonymous and impersonal guaranty of satisfaction, creating a desire for further satisfactions. The mark actually *sells* the goods. And, self-evidently, the more distinctive the mark, the more effective is its selling power.

[p. 825] ... The real injury in all such cases ... is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use on non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used. [emphasis added]

44. Accordingly, s. 22 was intended to allow the owner of a well-known and distinctive mark to prevent others from using it on unrelated wares, even in circumstances where there is no consumer confusion, in order to preserve the distinctive identity and character of the mark and thus the value of the goodwill attached to it. It was, at least in part, the “gradual whittling away” or dilution of the distinctiveness of a trade-mark that this new provision was intended to address. These principles have not been appreciated by the lower courts in this and other cases.

#### Similar Principles Have Been Adopted in Other Countries

45. As the commercial world began to converge in the 20th century, other countries came to recognize the need to provide extended protection for trade-marks beyond the protection afforded under traditional principles of source and confusion.

*United States of America*

46. The United States was one of the first countries to recognize the need to provide broader “confusion” protection for trade-marks beyond the specific wares with which they are used. In 1946, the “*Lanham Act*” expanded trade-mark rights to prevent their use on anything that could reasonably be thought to be affiliated or connected with, or sponsored by, the trade-mark owner: *Lanham Act*, 60 Stat. 427 (1946) (15 U.S.C. § 1125(a)).

47. Around the same time, a number of States enacted “anti-dilution” legislation prohibiting dilution of the distinctive quality of a mark, regardless of consumer confusion. Inconsistent application of State laws led to enactment of the *Federal Trademark Dilution Act of 1995* (“*FTDA*”): codified as *Lanham Act*, 15 U.S.C. § 1125(c); *Committee Report of the House of Representatives*, 104th Congress, H.R. 1295 (“Purpose and Summary”). The purpose of the *FTDA* was described as follows in the “Background” section of the *Committee Report* (H.R. 1295):

... The provision is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark ... Thus, for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation.

... Dilution does not rely upon ... likelihood of confusion ... Rather, it applies when the unauthorized use of a famous mark reduces the public’s perception that the mark signifies something unique, singular, or particular ...

48. The *FTDA* enables the owner of a famous mark to prevent other use of its mark that “causes dilution to the distinctive quality” of the mark, meaning “the lessening of the capacity of a famous mark to identify and distinguish goods or services,” regardless of confusion: 15 U.S.C. §§ 1125(c) and 1127. Exceptions are provided which include “fair use” in comparative advertising, non-commercial use and newspaper reporting: 15 U.S.C. § 1125(c).

49. Unlike the language used in Canada's s. 22 ("*likely* to have the effect"), the *FTDA* prohibited conduct that "*causes*" dilution. This language was interpreted recently by the U.S. Supreme Court to require proof of "actual" dilution and not merely of a "likelihood" of dilution: *Moseley v. V Secret Catalogue, Inc.*, 65 USPQ (2d) 1801 (2003) at 1807. This decision led to the recent introduction of the *Trademark Dilution Revision Act of 2005* to change the "actual" dilution test applied in *Moseley* to a "likelihood" test not unlike that under s. 22 of the *Act*. This legislation overwhelmingly passed the House of Representatives and is now before the Senate: *Trademark Dilution Revision Act of 2005* (H.R. 683), s. 2(c)(1).

### *European Union*

50. On December 21, 1988, the European Union issued its First Council Directive (89/104/EEC) "to approximate the laws of the Member States relating to trade marks," setting out the principles for protection of famous trade-marks in Article 5(2) (the "*Article*"):

Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

51. The *Article* has since been incorporated into the trade-mark legislation of many European Union Members. While the wording of each Member's national legislation is different, the fundamental principle of protecting famous marks from use on non-competing wares is apparent throughout. For example, France adopted the *Article* in 1991 as Article L713-5 in its "Code de la Propriété Intellectuelle":

L'emploi d'une marque jouissant d'une renommée pour les produits ou services non similaires à ceux désignés dans l'enregistrement engage la responsabilité civile de son auteur s'il est de nature à porter préjudice au propriétaire de la marque ou si cet emploi constitue une exploitation injustifiée de cette dernière.

52. The United Kingdom implemented the *Article* in 1994 as s. 10(3) of its *Trade Marks Act 1994*, 1994 c. 26:

A person infringes a trade mark if he uses in the course of trade a sign which

- (a) is identical with or similar to the trade mark, and
- (b) is used in relation to goods or services which are not similar to those for which the trade mark is registered;

where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to the distinctive character or the repute of the trade mark.

53. Other Member States that have implemented the *Article* include Austria, the Benelux, Denmark, Finland, Germany, Greece, Ireland, Italy, Spain and Sweden: (Austria) *Austrian Trade Mark Protection Act*, s. 10(2); (the Benelux) *Uniform Benelux Law on Marks*, art. 13(1)(c); (Denmark) *The Consolidate Trade Marks Act*, s. 4(2); (Finland) *Trademarks Act*, art. 6; (Germany) *Law on the Protection of Trade Marks*, art. 14(2)(3.); (Greece) *Trademark Law No. 2239 of September 16, 1994*, arts. 18(3) and 4(1)(c); (Ireland) *Trade Marks Act*, 1996, s. 14(3); (Italy) *Trademark Act*, art. 1(c); (Spain) *Law on Trademarks*, art. 34(2)(c) and (Sweden) *Trademark Act*, art. 6.

54. Implementation was not mandatory, and the willingness of Member States to incorporate broader protection for famous marks into their national legislation speaks to the importance of this issue.

#### Approach to Section 22

55. The Court of Appeal, in considering the Appellant's claim under s. 22, dismissed the section's application on the following grounds: (*Reasons of the Federal Court of Appeal, Appellant's Record, Volume I, Tab B3*, para. 10)

[10] ... it will suffice to say that the mark "Clicquot" used by the appellant is not a registered mark, and in any case, it was not established before the trial judge that the use by the respondents of their marks was likely to diminish the value associated with the appellant's marks.

56. While it was the true that the Appellant had not registered the element “Clicquot” alone, its trade-mark VEUVE CLICQUOT was registered. It is unclear whether the Court of Appeal considered this registered mark in connection with the Appellant’s s. 22 claim.

57. It is submitted that s. 22 should not be read in a restrictive manner to be limited only to situations where the exact trade-mark, as registered, is being used. Section 22 only requires use of a registered trade-mark “in a manner” that is likely to have the effect of depreciating the value of the goodwill attached to it. The unauthorized use of a registered mark’s highly distinctive or essential element could well constitute use of the mark “in a manner.” The purpose of s. 22 would not be served if it could be circumvented by adding or deleting a letter (CADILAC instead of CADILLAC) or some other non-essential element, while still using the distinctive element of the registered mark.

58. The Court of Appeal’s reference to the trial judge’s findings on depreciation also warrants consideration. The trial judge appears to have concluded that s. 22 did not apply because consumers would not make any association, connection or link between the Respondents’ use and the Appellant’s brand: (*Trial Reasons*, paras. 94, 96)

[94] ... Although confusion is not the test laid down in s. 22, I consider that it is still necessary for there to be an association between the two trade-marks. In other words, a consumer has to be able to make a connection between the parties in order for there to be a depreciation of the goodwill attaching to the trade-mark.

[96] In the case at bar the evidence was that the plaintiff’s sole business purpose was the sale of champagne, and that it was not interested in getting into other areas. In my view a consumer who saw the word “Cliquot” used in the defendants’ stores would not make any link or connection to the plaintiff. Consequently, there will be no association between the “Clicquot” luxury mark and the defendant’s “non-luxury” mark. [emphasis added]

59. With respect, consumer connection between the parties should not be the test under s. 22. The trial judge ought to have considered whether the use of the CLIQUOT mark by the Respondents was likely to whittle away or dilute the distinctiveness of the VEUVE CLIQUOT mark and thereby depreciate the value of the goodwill attached to it. The likelihood of dilution arises from the similarity or identity of the junior mark to the famous and distinctive mark. Wares and services are irrelevant.

60. In concluding that consumer connection between the parties was necessary, the trial judge appears to have been influenced by the following passage regarding s. 22 from Mr. Justice Thurlow's decision in *Clairol International Corp. v. Thomas Supply and Equipment Co.*, [1968] 2 Ex. C.R. 552 ("*Clairol*"), which was a comparative advertising dispute:

[p. 573] ... Then what is meant by "depreciate the value" of such goodwill ... As I see it goodwill has value only to the extent of the advantage of the reputation and connection which its owner enjoys and whatever reduces that advantage reduces the value of it. Depreciation of that value in my opinion occurs whether it arises through reduction of the esteem in which the mark itself is held or through the direct persuasion and enticing of customers who could otherwise be expected to buy or continue to buy goods bearing the trade mark. It does not, however, as I see it, arise ... from danger of loss of exclusive rights as a result of use by others as this in my view represents possible loss of exclusive rights in the trade mark itself rather than reduction of the goodwill attaching to it. [emphasis added]

61. While it is true that s. 22 could be triggered by a disparagement that "reduces the esteem" of a mark, it is incorrect to say that depreciation in the value of the goodwill attached to a trade-mark requires there to be a "persuasion" and "enticing" of the trade-mark owner's customers. This language suggests that consumers must make a link or connection with the senior party, which is wrong. It also appears to blur the distinction between the value of the goodwill attached to the trade-mark (which is being protected) and the value of the goodwill in the business associated with the trade-mark.

62. The *obiter* statement that s. 22 does not pertain to "loss of exclusive rights as a result of use by others" is also wrong. The loss of exclusive rights in a mark is exactly what s. 22 is intended to protect against in terms of loss of distinctiveness or dilution. However, given that *Clairol* was a comparative advertising and not a dilution dispute, the precise meaning of this statement by Thurlow J. is unclear. In fact, earlier in his decision, he alluded to the anti-dilution function of s. 22:

[p. 569] ... There would be I think no difficulty in concluding that [s. 22] would find application in cases of the use of a well known trade mark by someone other than its registered owner but in a non-competing field of trade ... the present is not a situation of the type mentioned ... [emphasis added]

63. In summary, s. 22 was incorporated into the *Act* to enable the owner of a well-known and highly distinctive trade-mark to protect its exclusive rights in the mark and prevent others from using the mark or a similar mark on unrelated wares, even where no confusion or connection exists. Confusion or connection is not the test. It is the value of the goodwill in the distinctiveness of the mark that s. 22 seeks to protect. Loss of distinctiveness through a gradual whittling away or dilution of the famous mark's identity, by the use of the same or a similar mark by others with unrelated wares, amounts to depreciation of the value of the goodwill attaching to a famous mark.

### **Conclusion**

64. It is with the greatest respect that INTA asks this Court take a fresh look at the fundamental principles embodied in ss. 6 and 22 of the *Act* by examining the purposes of the *Act*, its framework providing for distinct causes of action under ss. 20 and 22, and the intent of the significant changes made in Canadian trade-mark law with the adoption of the *Act* in 1953. This proceeding provides a rare opportunity for the Court to consider whether the interpretation of these sections of the *Act* in the lower courts is consistent with their purpose as intended by Parliament.

65. Finally, should the Court have any questions arising from these submissions that it wishes to address to INTA's counsel, both intend to be present at the hearing and therefore be available to the Court should it wish to call upon them.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED BY INTA'S SOLICITORS:**

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**R. SCOTT JOLLIFFE**

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**KEVIN SARTORIO**

### PART III – TABLE OF AUTHORITIES

Authority (Case Law)	Factum Paragraph	
<b>Canada</b>		
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2	<i>Clairol International Corp. v. Thomas Supply and Equipment Co.</i> , [1968] 2 Ex. C.R. 552	60, 61, 62
3	<i>Consorzio del Prosciutto di Parma v. Maple Leaf Meats Inc.</i> (2001), 11 C.P.R. (4th) 48 (F.C.T.D.)	6
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7	<i>Moseley v. V Secret Catalogue, Inc.</i> , 65 USPQ (2d) 1801 (2003)	49

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8	H.G. Fox, <i>The Canadian Law of Trade Marks and Unfair Competition</i> , 2nd ed. (Toronto: Carswell, 1956)	42
9	<i>Fox on Canadian Law of Trade-Marks and Unfair Competition</i> , 4th ed. (Toronto: Carswell, loose-leaf)	7, 13
10	Gowling, E. Gordon “The New Canadian Trade Marks Act” (1954), 19 C.P.R. 57 (Sec. I)	13
11	Osborne, John C. “New Canadian Trade Mark Law” (1954), 44 T.M.R. 891	14
12	Robinson, Christopher “The Canadian Trade Marks Act of 1954 – A Review of Some of Its Features” (1959), 32 C.P.R. 45 (Sec. I)	14, 42
13	<i>Report of Trade Mark Law Revision Committee to the Secretary of State of Canada</i> , January 20, 1953 (Ottawa: Queen’s Printer, 1953)	11, 13 to 17, 22, 32, 41
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14	<i>Committee Report of the House of Representatives</i> , 104th Congress, H.R. 1295	47
15	Schechter, Frank I., <i>The Historical Foundations of the Law Relating to Trade-marks</i> (Columbia University Press: New York, 1925)	8 to 10, 12
16	Schechter, Frank I. “The Rational Basis of Trademark Protection,” (1927) 40 Harv. L. Rev. 813	43

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