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PROTECTION OF FAMOUS TRADEMARKS AGAINST USE FOR UNRELATED GOODS AND SERVICES: A COMPARATIVE ANALYSIS OF THE LAW IN THE UNITED STATES, THE UNITED KINGDOM AND CANADA AND RECOMMENDATIONS FOR CANADIAN LAW REFORM

By Stephanie Chong*

I. INTRODUCTION

In this era of globalization, worldwide branding has become an increasingly important marketing tool as companies seek to provide their goods and services to a public that is less and less restricted by international borders. As the Internet becomes a common form of communicating to the four corners of the world, trademarks may become key assets in a global branding campaign. Entities conducting business internationally must be increasingly vigilant against brand piracy.

Given these diminishing barriers to trade and increase in globalization, the issue as to protection of famous[1] and well-known

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* Partner with Johnston Wassenaar LLP in Toronto, Canada, Associate Member of the International Trademark Association. Ms. Chong graduated from the University of Toronto in 1989 with an Honours Bachelor of Science in Microbiology. She attended law school at the University of British Columbia, graduating in 1992, was called to the Ontario Bar in 1994, and received her LL.M. in Intellectual Property Law from York University's Osgoode Hall in 2004. Her article, *The Relevancy of Ethical Concerns in the Patenting of Life Forms* (1993), 10 C.I.P.R. 189, was cited by the Supreme Court of Canada with approval in the Harvard Mouse case, *Harvard College v. Canada (Commissioner of Patents)*, [2002] 4 S.C.R. 45. She successfully litigated for the appellant before the Federal Court of Appeal in the case of *United Artists Corp. v. Pink Panther Beauty Corp.* (1998), 80 C.P.R. (3d) 247, currently the leading Canadian case on famous trademarks. She has taught at the Bar Admission Course for the Law Society of Upper Canada, and has given lectures at the University of Windsor patent law course and the University of Toronto trademark law course.

1. The terms "famous" and "well-known" are often used interchangeably to refer to marks that are generally widely known. However, much literature on the subject makes a distinction between the terms in that a famous mark can be said to be a superior type of well-known mark. A famous mark may be characterized as a mark that is known to a large segment of the general public and has a broad reputation, sometimes extending to various types of wares and services; Frederick W. Mostert, *Famous and Well-Known Marks: An International Analysis* 1-29–1-30 (2d ed. 2004) (truly famous marks, such as COCA-COLA, may even be classified as cultural icons); Theresa Corneau & Sheila Jennings Linehan, *Such Great Names as These: Protection of Famous Trade Marks under the Canadian Trade Marks Act*, 11 Eur. I.P. Rev. 531, 535 (1995) (thus, "while all famous marks are well-known,

trademarks has become even more important. Under Canadian law, the concept of confusion lies at the heart of actions for passing off and trademark infringement. Confusion is also the touchstone by which registrability of marks is determined. In order to find a likelihood of confusion, the courts examine such factors as the similarity of the marks, the nature of the wares, services or business and the nature of the trade. However, the question has arisen as to whether the traditional principle of likelihood of confusion remains sufficient to fully protect famous marks, which are arguably more susceptible to the phenomenon of "coat tailing" and use on *dissimilar* wares or services. In such a situation, the strict application of likelihood of confusion principles would not always suffice to protect famous marks.

The United States has addressed this issue by implementing antidilution laws. In particular, the Federal Trademark Dilution Act[2] (FTDA) was enacted in 1996 to provide nationwide uniformity in this area. Dilution theory protects "famous" in contrast to well-known marks from unauthorized use regardless of the wares or services and may apply even in the absence of a likelihood of confusion. Thus, confusion and dilution give rise to different forms of trademark protection based on entirely different principles.

In the United Kingdom, where Canadian common law principles find their origin, harmonization of trademark laws in the European Community has given rise to a new provision in the U.K. Trade Marks Act,[3] which arguably introduces dilution theory into U.K. law.[4] To date, however, U.K. courts have been reluctant to apply pure dilution principles to the interpretation of these statutory provisions.[5]

International treaties are also arguably showing a trend to including dilution-style provisions. For example, Article 16(3) of the TRIPS Agreement requires protection of marks in relation to dissimilar wares or services, but only where the use of a mark by a third party would indicate a connection between that party's wares or services and those of the trademark owner. Thus, although expanded protection of well-known marks is clearly indicated, the ties to traditional confusion principles have not been completely severed. A Joint Recommendation proposed by WIPO reveals an even greater push towards dilution principles, but does not have the force of a treaty.

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not all well-known marks are famous"); David H. Tatham, *WIPO Resolution on Well-known Marks: A Small Step or a Giant Leap?* 2 I.P.Q. 127, 128 (2000).

2. 15 U.S.C. § 1125.

3. Trade Marks Act 1994 (U.K.), 1994, c.26.

4. *See* Subsection 10(3) of the U.K. Trade Marks Act 1994, discussed in Part IV.B.3., *infra*.

5. See cases discussed in Part IV.B.3., *infra*.

In the face of these international provisions and the courses adopted by its cousins in the common law world, where does Canada stand? Do its current laws comply with international treaties or are amendments to the Trade-marks Act[6] necessary? What would such amendments entail if Canada decides to formally adopt dilution principles?

This article commences by reviewing the international treaties to which Canada is a signatory that govern famous and well-known marks. It continues with an overview of the law concerning such marks in the United States and United Kingdom. Finally, the present state of the law in Canada is examined. The article concludes that Canada is, at present, in compliance with the treaties to which it has adhered (both by virtue of the provisions of the Trade-marks Act and the case law decided under those provisions), since the treaties do not mandate the implementation of antidilution laws. The article ends with some suggestions for statutory reform in the event that international law ultimately demands that Canada enact specific antidilution legislation.

II. INTERNATIONAL TREATIES GOVERNING FAMOUS MARKS[7]

A. Paris Convention

One of the oldest international treaties relating to intellectual property, including trademarks, is the Paris Convention for the Protection of Industrial Property ("Paris Convention"), of which Canada, the United States and the United Kingdom are members. The issue as to how to protect a mark registered in one country from being adopted by another person in another country was first discussed in 1911 at the Washington Diplomatic Conference for the Revision of the Paris Convention.[8]

The Paris Convention in its present form contains the following provision regarding well-known marks:

> Article 6*bis*
>
> (1) The countries of the Union undertake, *ex officio* if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, *liable to create confusion, of a mark considered by*

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6. R.S.C. 1985, c.T-13.

7. For a summary of the provisions concerning well-known marks contained in the Paris Convention, the TRIPS Agreement and the WIPO Joint Recommendation, see Appendix A.

8. Mostert, *supra* note 1, at 2-1.

> *the competent authority of the country of registration or use to be well-known in that country* as being already the mark of a person entitled to the benefits of this Convention *and used for identical or similar goods*. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith. [Emphasis added.]
>
> (2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.
>
> (3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.

Note that these provisions prohibit use and/or registration of a mark that is likely to be confused with a well-known mark, but only if the marks are used for identical or similar wares. This provision was developed to protect owners of marks that were widely known in the marketplace but not registered against later registrations of the same mark by third parties.[9]

Article 6*bis* was significant at the time it was promulgated, as it represented international recognition of rights in non-registered marks. However, with increasing acceptance of trademark rights based on use as well as registration, the provision is only of minor significance today.[10] It also neglects to provide a definition of what constitutes a "well-known mark."

B. TRIPS Agreement[11]

The scope of Article 6*bis* of the Paris Convention was extended to include services by virtue of Article 16(2) of the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement"), which states:

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9. *Id.* at 1-25–1-26.

10. Annette Kur, *Well-Known Marks, Highly Renowned Marks and Marks Having a (High) Reputation: What's It All About?* 2 I.I.C. 23 218, 219 (1992).

11. Canada is also a signatory to the North American Free Trade Agreement (NAFTA), which closely resembles Article 16 of the TRIPS Agreement. Like TRIPS, NAFTA extends the protection of Article 6*bis* of the Paris Convention to both goods and services. In addition, NAFTA requires the mark to be well known only in a relevant sector of the public. Article 1708(6) of NAFTA states:

> Article 6*bis* of the Paris Convention shall apply, with such modifications as may be necessary, to services. In determining whether a trademark is well-known, account shall be taken of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Party's territory obtained as a result of the promotion of the trademark. No Party may require that the reputation of the trademark extend beyond the sector of the public that normally deals with the relevant goods or services.

> Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services. In determining whether a trademark is well-known, account shall be taken of the knowledge of the trademark in the relevant sector of the public, including knowledge in that Member obtained as a result of the promotion of the trademark.

The TRIPS Agreement was signed on April 15, 1994, as part of the General Agreement on Tariffs and Trade (GATT) administered by the World Trade Organization (WTO), of which Canada, the United States and the United Kingdom are members. The TRIPS Agreement resulted from negotiations that took place during the Uruguay Round of GATT, and represents a revolutionary approach in linking intellectual property rights (IPR) to international trade. Basic GATT standards of national treatment and most-favored-nation treatment are incorporated into the TRIPS Agreement and enforcement of IPRs is dealt with by the WTO rather than by the World Intellectual Property Organization (WIPO).

The inclusion of IPRs within GATT was spearheaded by the United States, which wanted to obtain a set of international rules as extensive as those under U.S. law. The United States was particularly concerned with what it perceived as the lack of adequate enforcement of pre-existing international treaties, including the Paris Convention, in developing countries, and with the fact that WIPO lacked a credible dispute resolution mechanism, in contrast to the mechanism provided by the WTO.[12]

The inclusion of well-known, in contrast to "famous," marks in Article 16 of the TRIPS Agreement represents a significant development in international law in this regard. As discussed above, Article 16(2) extends the protection of well-known marks to services, and also states that the knowledge of the relevant sector of the public is to be determinative of whether a mark is well-known. The Article does not, however, go further by offering a definition of a well-known mark.

Also of importance is Article 16(3) of the TRIPS Agreement, which expands Article 6*bis* of the Paris Convention to allow for the protection of well-known marks on non-competing wares and services:

> Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are *not similar* to those in respect of which a trademark is *registered*, *provided that* use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark *and*

12. Michael J. Trebilcock & Robert Howse, *International Trade Regulation* 320-21 (2d ed. 1999).

> provided that the interests of the owner of the registered trademark are likely to be damaged by such use. [Emphasis added.]

This provision is key in that it expands protection of well-known marks to dissimilar wares and services. Note, however, that the protection in respect of dissimilar wares or services is subject to the following provisos: (1) the well-known mark must be registered, (2) the use of the second mark must lead a consumer to infer a connection to the wares or services of the owner of the well-known mark and (3) such use will likely damage the interests of the owner of the well-known mark.

It is important to bear in mind that Article 1(1) of the TRIPS Agreement states that Members are free to implement laws providing more extensive protection than that set out in TRIPS.[13] In other words, the TRIPS Agreement sets out minimum standards. With respect to Article 16(3) above, members would be at liberty to extend its application to unregistered as well as registered marks. Members could also apply the provision in cases where no connection between the wares or services of the parties is perceived by the consumer.

C. WIPO Joint Recommendation

Immediately after the conclusion of the TRIPS Agreement in 1995, WIPO initiated activity in conjunction with the Paris Union concerning the protection of well-known marks.[14] The focus of this effort was directed to developing criteria for determining whether a mark is well known.[15] This resulted in a Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks ("Joint Recommendation"),[16] adopted in September 1999 by consensus of the General Assembly of WIPO and the Assembly of the Paris Union. The Joint Recommendation is meant to address some of the gaps in the protection afforded well-known marks conferred under Article 6*bis* of the Paris Convention and Article 16(2) of the TRIPS Agreement.[17] Although the Joint

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13. Article 1(1) of the TRIPS Agreement states:

> Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.

14. Kur, *supra* note 10, at 825.

15. *Id.* at 826.

16. Available online at http://www.wipo.int/about-ip/en/development_iplaw/pub833-02.htm.

17. Tatham, *supra* note 1, at 127.

Recommendation does not have legislative force, it is nevertheless an interesting indicator of the potential direction of supranational law in this area.

1. Article 2—Determination of Whether a Mark Is a Well-Known Mark in a Member State

Article 2 of the Joint Recommendation outlines the criteria to be applied in determining whether a mark is well known. Article 2(1)(a) states that "any circumstances from which it may be inferred that the mark is well-known" may be taken into account. The onus is on the owner of a mark to produce information sufficient to support a claim that the mark is well known.[18] Article 2(1)(b) contains a non-exhaustive list of factors to assist in making this determination. These factors include:

1. The degree of knowledge or recognition of the mark in the relevant sector of the public;
2. The duration, extent and geographical area of any use of the mark;
3. The duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
4. The duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark;
5. The record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities; and
6. The value associated with the mark.

The above factors are simply guidelines, and are not meant as pre-conditions required to conclude that a mark is well known (Article 2(1)(c)).

As to exactly *who* needs to consider a mark well known, Article 2(2)(a) defines relevant sectors of the public as including, but not necessarily limited to:

(i) Actual and/or potential consumers of the type of goods and/or services to which the mark applies,

(ii) Persons involved in channels of distribution of the type of goods and/or services to which the mark applies, and/or

18. Explanatory Notes to the Joint Recommendation.

(iii) Business circles[19] dealing with the type of goods and/or services to which the mark applies.

The mark owner need only establish that the mark is well known in one relevant sector of the public; it is not necessary to establish that the mark is well known to the public at large (Articles 2(2)(b) and 2(3)(a)(iii)).[20] This is a minimum standard and does not preclude a finding that a mark is well known even if it does not meet this standard in the Member State in which protection is sought (Article 2(2)(d)).

Of key interest is the provision that neither use nor registration nor application for registration in the Member State is required as a condition for determining whether a mark is well known in the Member State (Article 2(3)(a)(i)). Similarly, a Member State cannot require that a mark be well known, used, registered or applied for in a jurisdiction other than the Member State (Article 2(3)(a)(ii)).[21] In other words, the WIPO Joint Recommendation does not require that a mark be registered in order for protection to be extended to dissimilar wares or services.[22] This is noteworthy in that it goes beyond the level of protection offered by the TRIPS Agreement, which expressly requires a mark to be registered before it can be enforced with respect to dissimilar wares or services.[23]

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19. For example, importers, wholesalers, licensees and franchisees; *see* Explanatory Notes.

20. According to the Explanatory Notes,

> The reason for this is that marks are often used in relation to goods or services which are directed to certain sectors of the public such as, for example, customers belonging to a certain group of income, age or sex. An extensive definition of the sector of the public which should have knowledge of the mark would not further the purpose of international protection of well-known marks, namely to prohibit use or registration of such marks by unauthorized parties with the intention of either passing off their goods or services as those of the real owner of the mark, or selling the right to the owner of the well-known mark.

21. Although "use" is not defined in the WIPO Joint Recommendation, it is meant to cover use of a mark on the Internet; *see* Explanatory Notes, item 2.6.

22. As pointed out by Kur, registration rather than use is fundamental to the trademark system in many countries. She attributes the registration requirement in Article 16(3) of the TRIPS Agreement to a general reluctance to part with this accepted legal norm by countries where registration is fundamental to the granting of trademark rights. She points out that under the WIPO Joint Recommendation, holders of well-known marks could obtain very broad protection. On the other hand, it is perhaps unrealistic to expect them to obtain a "prophylactic registration" in all countries. *See* Kur, *supra* note 10, at 832-33.

23. *See* TRIPS Agreement, Article 16(3), Part II.B., *supra*.

2. Article 3—Protection of Well-Known Marks; Bad Faith

Pursuant to Article 3, a Member State must protect a well-known mark against conflicting marks, business identifiers and domain names at least from the time the mark became well known in the Member State. Bad faith may be considered as a factor in assessing competing interests to determine the scope of protection accorded a well-known mark.

3. Article 4—Conflicting Marks

Conflicting marks are addressed in Article 4, which states that marks are deemed to be in conflict where a second mark is liable to create confusion with a well-known mark and the wares/services are identical or similar. Article 4(1)(b) deals with dissimilar wares/services, and states:

> Irrespective of the goods and/or services for which a mark is used, is the subject of an application for registration, or is registered, that mark shall be deemed to be in conflict with a well-known mark where the mark, or an essential part thereof, constitutes a reproduction, an imitation, a translation, or a transliteration of the well-known mark, and where at least one of the following conditions is fulfilled:
>
> (i) the use of that mark would indicate a connection between the goods and/or services for which the mark is used, is the subject of an application for registration, or is registered, and the owner of the well-known mark, and would be likely to damage his interests;[24]
>
> (ii) the use of that mark is likely to impair or dilute in an unfair manner the distinctive character of the well-known mark;[25]
>
> (iii) the use of that mark would take unfair advantage of the distinctive character of the well-known mark.[26]

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24. The Explanatory Notes state such a connection could be shown by the creation of an impression that the owner of the well-known mark is involved in the production of the goods or the offering of the services, or had licensed or sponsored the goods or services. Damage may occur, for example, if the other party's goods and/or services are inferior to those of the trademark owner.

25. According to the Explanatory Notes,

> This item would apply, for example, if the use of a conflicting mark is likely to impair or dilute in an unfair manner the unique position of a well-known mark in the market. A further example of dilution is where the conflicting mark is used on goods or services which are of an inferior quality or of an immoral or obscene nature.

26. Again according to the Explanatory Notes, this provision is meant to cover "free riding" or "coat tailing" in situations where paragraphs (i) and (ii) do not apply.

It is important to note that in determining whether conditions (ii) and (iii) above have been fulfilled, a Member State *may* (but is not compelled to) require that the mark be well known by the public at large (Article 4(1)(c)).

The protection of well-known marks in respect of dissimilar wares and services has been broadened under the WIPO Joint Recommendation. As noted by Kur, Article 4(1)(b) "represents an attempt to combine Art. 16(3) of TRIPS, the [US] Federal Antidilution Act and the European version of the extended protection of marks having a reputation to create a uniform concept. Whether and how the individual groups of cases are to be distinguished and delimited remains an open question and was no doubt of little significance for the adherents of this regulation. The important factor was that in the end all conceivable cases of exploitation or impairment of well-known marks should be covered."[27]

Concerns raised by the significant broadening of protection provided by Article 4(1)(b) over Article 16(3) of TRIPS were addressed by WIPO through the inclusion of Article 4(1)(c). This provision permits a Member State to require that the well-known mark be known by the public at large before finding that impairment or dilution has occurred pursuant to Article 4(1)(b)(ii) and as a condition for a finding of unfair advantage pursuant to Article 4(1)(b)(iii).[28]

4. Remaining Articles

Two remaining articles are of interest in the WIPO Joint Recommendation. Article 5 deals with conflicting business identifiers and Article 6 deals with conflicting domain names. In the case of business identifiers, the criteria for determining when a conflict exists are essentially the same as for conflicting marks under Article 4. With respect to domain names, Article 6(1) states:

> A domain name shall be deemed to be in conflict with a well-known mark at least where that domain name, or an essential part thereof, constitutes a reproduction, an imitation, a translation, or a transliteration of the well-known mark, and the domain name has been registered or used in bad faith.

Thus, bad faith is a mandatory element for a finding of conflict with respect to domain names.

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27. Kur, *supra* note 10, at 835 (footnotes omitted).

28. The inclusion of Article 4(1)(c) can be credited to the representative of the Canadian delegation; *see* Kur, *supra* note 10, at 835, n.28.

5. Summary of the WIPO Joint Recommendation

In summary, the provisions of the WIPO Joint Recommendation go much further than the TRIPS Agreement with respect to the protection of well-known marks. However, the Joint Recommendation does not have the force of a treaty. Although the Joint Recommendation was made optional by WIPO and the Paris Union and is thus not legally binding, it ought to be very persuasive on Member States seeking to develop law and policy in the area of well-known marks.[29]

III. UNITED STATES DILUTION LAW

The United States has been a leader in the implementation of trademark dilution law and in 1996 created a statutory basis at the federal level for protection of famous marks based on dilution principles. As will be seen, however, dilution law has been inconsistently applied by the courts, which has generated criticism by academic commentators.

A. The Origins of Dilution in U.S. Law

The concept of dilution as a separate basis for the protection of trademarks was introduced to the United States in the 1920s and 1930s.[30] However, it was not until 1996 that an antidilution law was enacted at the federal level.

Dilution law seeks to protect "famous" marks (in contrast to "well-known" marks) from use by others, even on unrelated goods or services and whether or not a likelihood of confusion exists. There are thus three aspects of dilution law that are noteworthy:

1. The mark must be "famous"; and
2. the offending mark need not be used on similar goods or services; and
3. confusion is not an element of dilution.

The following excerpt from *McCarthy on Trademarks and Unfair Competition* provides a concise explanation of the theory:

> [W]hen the likelihood of confusion test is not met, the dilution theory raises the possibility of recovery based on an entirely different consumer state of mind. The dilution theory grants protection to strong, well-recognized marks even in the absence of a likelihood of confusion, if defendant's use is such as to diminish or dilute the strong identification value of the

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29. Tatham, *supra* note 1, at 136; Kur, *supra* note 10, at 827.

30. 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:67, at 24-128 (4th ed. 2004).

> plaintiff's mark even while not confusing customers as to source, sponsorship, affiliation or connection. The underlying rationale of the dilution doctrine is that a gradual attenuation or whittling away of the value of a trademark, resulting from use by another, constitutes an invasion of the senior user's property right in its mark and gives rise to an independent commercial tort.
>
> For dilution to occur, the relevant public must make some connection between the mark and both parties. But that connection is not the kind of mental link between the parties that triggers the classic likelihood of confusion test. Rather, the assumption is that the relevant public sees the junior user's use, and intuitively knows, because of the context of the junior user's use, that there is no connection between the owners of the respective marks. However, even with those who perceive distinct sources and affiliation, the ability of the senior user's mark to serve as a unique identifier of the plaintiff's goods or services is weakened because the relevant public now also associates that designation with a new and different source. Hence, the unique and distinctive link between the plaintiff's mark and its goods or services is "blurred."[31]

Dilution is thus a cause of action that seeks to protect the trademark itself and attributes a proprietary value to the mark beyond the traditional consumer protection role of a mark.[32] The notion that a trademark could have an intrinsic value beyond indication of source was first espoused in a seminal Harvard Law Review article by Frank Schechter.[33] After noting that consumers can rarely identify the source of wares or services bearing particular marks, Schechter stated, "The true functions of the trademark are, then, to identify a product as satisfactory *and thereby to stimulate further purchases by the consuming public*."[34]

It is this second aspect of a mark, its so-called "marketing value," that dilution law seeks to protect.[35] Schechter argued that

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31. *Id.*, § 24:70 at 24-131 (citations omitted).

32. As pointed out by one commentator, "This exalting of the mark above the trade, which is at the heart of Schechter's 'rational basis of trade-mark protection' is the antithesis of the orthodox view, which considers that the trade is more important than the mark which symbolizes it—that the Sabbath was made for man, and not man for the Sabbath." George E. Middleton, *Some Reflections on Dilution*, 42 TMR 175, 177 (1952).

33. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927).

34. *Id.* at 818 (emphasis added).

35. Schechter never actually used the word "dilution" to describe his theory. The word derives from his reference to a 1924 German case in which the owner of the trademark ODOL for mouth wash sought to cancel the same mark that was being used for steel

it is the mark that actually sells the goods[36] and restricting protection to cases in which a likelihood of confusion could be found "ignores the fact that the *creation and retention of custom*, rather than the designation of source, is the primary purpose of the trademark today, and that the preservation of the uniqueness or individuality of the trademark is of paramount importance to its owner."[37] He concluded by stating the following principles:

(1) The value of the modern trademark lies in its selling power.

(2) This selling power depends for its psychological hold upon the public, not merely upon the merit of the goods upon which it is used, but equally upon its own uniqueness and singularity.

(3) Such uniqueness or singularity is vitiated or impaired by its use upon either related or non-related goods.

(4) The degree of its protection depends in turn upon the extent to which, through the efforts or ingenuity of its owner, it is actually unique and different from other marks.[38]

B. The Federal Trademark Dilution Act

In 1947, Massachusetts was the first state of the United States to enact a dilution statute and 38 of the States subsequently enacted similar legislation. Prior to 1996, a trademark owner trying to prevent dilution on a national or multi-state basis would have to obtain relief under the relevant state dilution statute and then try to enforce that judgment in other states.

The FTDA was enacted in 1996 as Subsection 43(c) of the Lanham Act. It differs from State dilution acts in a number of areas, most notably in that it is limited to protection against dilution only for "famous marks." In particular, 15 U.S.C. § 1125, (c)(1) states that:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain

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products. The German Court found in favor of the plaintiff, holding that it had an interest in preventing its mark from being *verwässert* [diluted], and that the mark would lose its selling power if everyone was permitted to use it. *Id.* at 832.

36. *Id.* at 819.

37. *Id.* at 822 (emphasis added).

38. *Id.* at 831.

such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to:

(A) the degree of inherent or acquired distinctiveness of the mark;

(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

A court thus may take into account eight or more factors in assessing whether a mark is distinctive and famous for purposes of determining the mark's eligibility for dilution protection. This provision also requires that the offending party be making commercial use of the mark, and the primary relief available under the FTDA is injunctive. However, in certain cases, generally upon a finding of willful intent by the offending party to trade on the famous mark owner's reputation or to cause dilution of the famous mark, a plaintiff may be awarded monetary damages and/or profits. Either of these may be subject to increase at the court's discretion within certain statutory limits. Special damages including attorneys' fees and/or prejudgment interest may also be awarded.

"Dilution" is defined in 15 U.S.C. § 1127 as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of:

1. competition between the owner of the famous mark and other parties, or

2. likelihood of confusion, mistake, or deception."

A brief review of the main elements of dilution law follows.

C. Types of Dilution

There are two main types of dilution, blurring and tarnishment. Dilution by blurring may be characterized as "traditional" dilution, applying the theory as it was originally envisaged.[39] Blurring occurs where a party uses a famous mark on goods or services that are completely different from the goods or services upon which the "famous" mark is used. Although the consumer seeing the junior user's mark may not be confused or assume the junior user's goods or services originate with the owner of the famous mark, the ability of the famous mark to identify and distinguish one source is nonetheless diluted and weakened.[40] For example, the use of TIFFANY for restaurant services in Boston was found to be a blurring of the distinctiveness of the famous mark TIFFANY for the New York jewelry store.[41] Hypothetical examples of blurring would include DUPONT shoes, BUICK aspirin and KODAK pianos.[42]

Dilution by tarnishment occurs where the use of the famous mark in an unwholesome or unsavory context degrades the mark.[43] For example, an injunction was issued against the use of the domain name adultsrus.com for a website selling adult-oriented paraphernalia on the basis that this use tarnished the trademark TOYS R US.[44]

Dilution theory is not without its critics. Several scholars have pointed out that a trademark cannot exist independent of the trade it is meant to symbolize and that dilution protection vests trademarks with a proprietary status beyond their true function.[45] Some have also questioned why famous marks were singled out for statutory protection against dilution, since arguably they already qualified for expanded protection under the traditional likelihood

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39. 4 McCarthy, *supra* note 30, § 24:68 at 24-129.

40. *Id.*

41. *Tiffany & Co. v. Tiffany Productions*, 188 N.E. 30 (N.Y. Ct. App. 1933).

42. *Mead Data Cent., Inc. v. Toyota Motor Sales, Inc.*, 10 U.S.P.Q.2d 1961 (2d Cir. 1989). In this case, Justice Sweet listed several factors to be considered in assessing the likelihood of dilution. This so-called "Sweet analysis" gave rise to the following six factors: (1) The similarity of the marks, (2) the similarity of the products covered by the marks, (3) the sophistication of the consumers, (4) the defendant's predatory intent (5) the renown of the senior mark and (6) the renown of the junior mark.

43. Lynda J. Oswald, *"Tarnishment" and "Blurring" under the Federal Trademark Dilution Act of 1995*, 36 Am. Bus. L.J. 255, 274 (1999); 4 McCarthy, *supra* note 30, § 24:68 at 24-129.

44. *Toys "R" Us Inc. v. Akkaoui*, 40 U.S.P.Q.2d 1836 (N.D. Cal. 1996).

45. Middleton, 42 TMR at 178-79; Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. Pitt. L. Rev. 789 at 864, 865 (1997).

of confusion test.[46] In addition, the fact that U.S. courts have often imposed a likelihood of confusion requirement in cases where dilution has been found to have occurred has made it difficult in practice to separate the two concepts.[47]

The most recent authoritative word on dilution under the FTDA came from the United States Supreme Court in its decision of March 4, 2003, in a case involving the trademark VICTORIA'S SECRET.[48] The defendants, Victor and Cathy Moseley, operated a small-town adult novelty store called "Victor's Little Secret." The plaintiff sued for infringement and dilution of its well-known VICTORIA'S SECRET trademark, used for items including lingerie. Both parties brought motions for summary judgment. The plaintiff adduced evidence from a marketing expert who testified as to the enormous value of its trademark. There was, however, no evidence concerning any impact of the defendant's use of "Victor's Little Secret" on the value of the VICTORIA'S SECRET trademark.[49]

The district court, concluding no likelihood of confusion existed, found in favor of the defendant on the infringement claim. In contrast, it found a "likelihood of dilution" in favor of the trademark owner on the dilution claim based on tarnishment and rejected defendant's argument that a plaintiff must prove actual economic injury to prove actual dilution. This judgment was affirmed by the Court of Appeals for the Sixth Circuit. To reconcile different interpretations among the federal appellate courts, the Supreme Court granted *certiorari* to decide "whether objective proof of actual injury to the economic value of a famous mark (as opposed to a presumption of harm arising from a subjective 'likelihood of dilution' standard) is a requisite for relief under the FTDA."[50] The Court answered this question in the affirmative, in part based on the express requirement of the FTDA that the offending use "causes dilution." Hence, proof of actual dilution

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46. Klieger, *id.* at 846.

47. Klieger, *id.* at 817; Oswald, *supra* note 43, at 280-81.

48. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

49. As noted by the U.S. Supreme Court,

> There is a complete absence of evidence of any lessening of the capacity of the VICTORIA'S SECRET mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs. The [individual who had seen the defendant's advertising] was offended by the ad, but it did not change his conception of Victoria's Secret. His offense was directed entirely at [the defendant], not at [the plaintiff]. Moreover, the expert retained by [the plaintiff] had nothing to say about the impact of [the defendant's name] on the strength of [the plaintiff's] mark.

Id. at 433.

50. *Id.*

rather than mere likelihood of dilution is now required in order to succeed on a claim under the FTDA.

The United States Supreme Court has thus raised the bar to succeeding on a dilution claim. This has led to efforts to amend the FTDA. On April 19, 2005, the House of Representatives passed the Trademark Dilution Revision Act of 2005 (H.R. 683), which adopts a standard of likely dilution rather than actual dilution.[51] The bill also lists criteria to assist in determining dilution by blurring and includes a definition of "fame." The bill is presently being considered by the U.S. Senate.

In sum, dilution theory has not always been consistently applied by U.S. courts, and other countries considering adopting dilution theory as part of their trademark laws would do well to heed the lessons learned to date in the United States.

IV. UNITED KINGDOM LAW REGARDING FAMOUS MARKS

As Canadian trademark law was initially modeled after English law, the state of the law in the United Kingdom regarding famous and well-known marks is worth reviewing in the context of this article.

A. History—Trade Marks Act of 1938

The U.K. Trade Marks Act was amended in 1994 in order for Britain to fulfill its requirements as a member of the European Community. Prior to that amendment, the statute that was in effect was the Trade Marks Act of 1938. Famous and well-known marks in the United Kingdom have been addressed by both statutory provisions and by case law, as will be discussed below.

1. Statutory Provisions

Section 27 of the 1938 Act provided for defensive registration of well-known marks. Under this provision, the owner of an invented mark well known in respect of wares for which it had been registered and used could also apply to register that mark in relation to wares for which the mark had *not* been used.[52] There

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51. The revised legislation provides injunctive relief for uses of a famous mark or trade name in commerce "that is likely to cause dilution by blurring or dilution by tarnishment, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury."

52. Subsection 27(1) states:

> Where a trade mark consisting of an invented word or invented words has become so well known as respects any goods in respect of which it is registered and in relation to which it has been used that the use thereof in relation to other goods would be likely

was no similar provision for marks covering services,[53] and the provision was expressly limited to an invented word or words. Further, the onus was on the owner of the well-known mark to show some connection in the course of trade between the proposed new wares and the wares already listed in the registration.[54] If this connection could not be established, the defensive registration was liable to be expunged.[55]

As a result of the limitations imposed, the scheme did not achieve the purpose for which it was intended. "Defensive registrations" provided for in Section 27 of the 1938 Trade Marks Act proved to be of less value than ordinary registrations, and the provision ended up being rarely used by applicants.[56] Further, a U.K. Government White Paper noted that the defensive registration scheme was inconsistent with Article 5(2) of the European Trade Mark Harmonization Directive. Reforms were recommended which resulted in new provisions of the 1994 Trade Marks Act.[57] These new provisions will be discussed in detail below.

2. Case Law

In addition to registration under the 1938 Act, rights in marks could be enforced under the common law tort of passing off, which was available to protect goodwill acquired through use of the marks.[58] In such cases it was necessary for the mark to have a demonstrated reputation in the area in which protection was

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> to be taken as indicating a connection in the course of trade between those goods and a person entitled to use the trade mark in relation to the first-mentioned goods, then, notwithstanding that the proprietor registered in respect of the first-mentioned goods does not use or propose to use the trade mark in relation to those other goods and notwithstanding anything in the last foregoing section [dealing with expungement from the register for non-use], the trade mark may, on the application in the prescribed manner of the proprietor registered in respect of the first-mentioned goods, be registered in his name in respect of those other goods as a defensive trade mark and, while so registered, shall not be liable to be taken off the register in respect of those goods under the last foregoing section.

This provision was enacted as a result of the *Kodak* case, *The Eastman Photographic Materials Company, Ltd. v. The John Griffiths Cycle Corporation, Ltd.* (1898), 15 R.P.C. 105 (Ch. Div.); T.A. Blanco White & Robin Jacob, *Kerly's Law of Trade Marks and Trade Names* 135 (12th ed. 1986).

53. Kerly's, *id.* at 135.

54. *Id.* at 136.

55. Subsection 27(4).

56. Kerly's, *supra* note 52, at 136.

57. Michael Blakeney, *"Well-known" Marks*, 11 Eur. I.P. Rev. 481, 482 (1994).

58. In addition, of course, rights in registered marks could also be enforced through an action for infringement.

sought.[59] Lord Diplock in the case of *Erven Warnink BV v. Townend & Sons (Hull)* (the *Advocaat* case)[60] identified the following factors that must be present in an action for passing off:

> (1) a misrepresentation (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.[61]

These factors were later reduced to three essential elements: goodwill, misrepresentation and damage.[62] The common law action for passing off in Canada is based on these same principles.

English courts have historically granted a broader scope of protection to well-known marks, as has traditionally been the case in Canada. One of the leading English cases in this regard is *The Eastman Photographic Materials Company, Ltd. v. The John Griffiths Cycle Corporation, Ltd.*[63] Eastman was the owner of several registered trademarks, all comprising or including the word KODAK, used primarily in association with cameras. Eastman had developed a special type of camera for use by cyclists. This camera was sold under the name KODAK CAMERA and marketed as a BICYCLE KODAK. The defendant applied to register the word KODAK for use in association with cycles and other vehicles included in Class 22. None of the registrations owned by Eastman covered wares in Class 22.

Eastman sued Griffiths for trademark infringement and passing off. In affidavit evidence filed in support of its motion for an interlocutory injunction, Eastman testified that Griffiths had commenced advertising its bicycles as KODAK CYCLES and that this would lead the public to believe that Eastman was starting to deal in bicycles. Eastman further proffered evidence that cycles and photographic materials were often sold in the same stores.

The connection between the channels of trade and the wares themselves was a prominent factor in the mind of Justice Romer, who granted the injunction in favor of Eastman. This clear connection was expressed as follows:

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59. Christopher Morcom in Mostert, *supra* note 1, at 4-447.

60. [1980], R.P.C. 31 (H.L.).

61. *Id.* at 93.

62. *Reckitt & Colman Properties Ltd. v. Borden Inc.* [1990], 1 W.L.R. 491 at 499 (H.L.).

63. (1898), 15 R.P.C. 105 (Ch. Div.).

> Several Trade Marks have been registered by the Plaintiff Company in which the word "Kodak" forms a prominent part. It appears that the "Kodak Cameras" are especially available for use on cycles, and that they are much used by cyclists, and the Plaintiff Company has done a large trade in these "Kodaks" for the purpose of cycles. . . . At one recent large cycle show the Plaintiff Company had a stall, and the evidence shows that between the two trades, the bicycle trade and the camera trade, there is an intimate connection. Many shops sell and deal in both bicycles and photographic cameras and materials. To a certain extent the Plaintiff Company is identified with the name "Kodak" as connected with cycles, and *so great is the connection between the two classes of business*, that in all probability, I may say, the Plaintiff Company may wish hereafter to manufacture and sell cycles specially adapted to carry their "Kodaks."[64]

Justice Romer found in addition that Griffiths had sought to register KODAK for bicycles as a way of coat tailing on the reputation and fame of the Eastman marks.[65]

The *Kodak* case is often cited as one of the earliest examples of the application of dilution principles.[66] As discussed above, however, dilution generally deals with the protection of famous or well-known marks with respect to dissimilar wares or services in the absence of a likelihood of confusion. In contrast, the *Kodak* case dealt with a situation where a clear connection between the wares of the parties was found and evidence was tendered of a likelihood of confusion among consumers. Thus, the *Kodak* case does not represent a typical case for illustrating the application of antidilution law.[67] It does, however, remain a seminal decision for the United Kingdom and other common law countries with respect to the scope of protection to be afforded to famous marks.

Another early U.K. case that used dilution-style language is *Sheraton Corporation of America v. Sheraton Motels Ltd.*[68] The plaintiff provided hotel services in Canada, the United States and other countries under the name SHERATON HOTELS. The plaintiff did not operate any hotels in the United Kingdom, but did maintain a booking office in London and travel agencies in the United Kingdom made bookings at the plaintiff's overseas hotels. The defendant's principal was an individual from Canada who was

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64. *Id.* at 110 (emphasis added).

65. *Id.*

66. *See*, *e.g.*, Oswald, *supra* note 43, at 261 n.23 and Norman Siebrasse, *Comparative Advertising, Dilution, and Section 22 of the Trade-marks Act* (2001) 18:1 C.I.P.R. 277.

67. This point was also made by Klieger, *supra* note 45, at 864 n.88.

68. [1964], R.P.C. 202 (Ch. Div.).

seeking to open a luxury hotel in England under the name SHERATON MOTEL. The announcement of the defendant's project gave rise to instances of actual confusion among members of the public. The plaintiff sued for passing off and sought an interlocutory injunction. The Court rejected the defendant's argument that there was no overlap in the services provided by the parties because the plaintiff did not offer its services in the United Kingdom. Mr. Justice Buckley, in contemplating possible future events, stated:

> It seems to me that when the matter comes to trial the position may well be that the plaintiff company may be able to say that they have got a reputation and a goodwill which would be exposed to risk resulting from the confusion between the plaintiffs and the defendants notwithstanding that they are carrying on business in different parts of the world; and that, moreover, the plaintiff company are entitled to retain the possibility of exploiting their own goodwill in this country by opening hotels here, and that *that possibility ought not to be diluted by anything done by the defendant company meanwhile*.[69]

Although the language of dilution is used, it is important to note that this case dealt with identical marks and services and actual confusion had occurred. Again, it does not represent a pure case of dilution. The case is significant, however, in that it established that a trader need not necessarily carry on business in a particular geographic area in order for the goodwill in its mark to be protected there.

In a much more recent case decided in 1993, and therefore prior to the major amendments to the U.K. Trade Marks Act in 1994, the English Court of Appeal decided a passing off case relating to a beverage called ELDERFLOWER CHAMPAGNE. This case, *Taittinger SA v. Allbev Ltd.*,[70] is noteworthy for the comments made by the Court in finding damage to the goodwill of the plaintiff.

The plaintiff in *Taittinger* was a producer of sparkling wine from the Champagne region of France. The defendants were producers of a non-alcoholic carbonated beverage containing elderflowers, sugar, citric acid and lemons, which they called ELDERFLOWER CHAMPAGNE. The plaintiff sued for passing off and sought an injunction to restrain the defendants from marketing their product under the name ELDERFLOWER CHAMPAGNE. The trial judge refused to grant this relief, finding

69. *Id.* at 204 (emphasis added).

70. [1993], F.S.R. 641 (C.A.).

the plaintiff had failed to establish a likelihood of substantial damage. This finding was reversed on appeal.

Apart from the finding of the Court of Appeal with respect to passing off, the comments of Lord Justice Gibson concerning the "real damage" to the plaintiff's goodwill coming "under a different head"[71] merit particular attention. After referring to the argument of plaintiff's counsel that the continuation of the defendants' activities would lead to "a blurring or erosion of the uniqueness"[72] of the word "champagne," Lord Justice Gibson examined previous case law dealing with damage to reputation. In particular, he analyzed *Erven Warnink BV v. Townend & Sons (Hull)* (the *Advocaat* case), and noted that at first instance,[73] Lord Justice Goulding had held it was possible for the plaintiffs to suffer "a more gradual damage to the plaintiffs' business through depreciation of the reputation that their goods enjoy."[74] This was echoed by the House of Lords, which termed such "depreciation" a "debasement of the reputation attaching to the name 'advocaat.'"[75]

Lord Justice Gibson also noted the decision of *Vine Products Ltd. v. MacKenzie & Co. Ltd.*,[76] in which Lord Justice Cross cited with approval the decision of Justice Danckwerts in *Bollinger v. Costa Brava Wine Co. Ltd. (No. 2)*[77] as follows:

> [Danckwerts J.] thought, as I read in his judgment, that if people were allowed to call sparkling wine not produced in Champagne "Champagne", even though preceded by an adjective denoting the country of origin, the distinction between genuine Champagne and "champagne type" wines produced elsewhere would become *blurred*; that the word "Champagne" would come gradually to mean no more than "sparkling wine"; and that the part of the plaintiffs' goodwill which consisted in the name would be *diluted* and gradually destroyed.[78]

Lord Justice Mann in *Taittinger* similarly expressed his thoughts by referring to the "gradual debasement, dilution or erosion" of the word "Champagne."[79]

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71. *Id.* at 669.
72. *Id.*
73. [1980], R.P.C. 31 (H.L.).
74. *Id.* at 52.
75. *Id.* at 91.
76. [1969], R.P.C. 1.
77. [1959], R.P.C. 289.
78. *Vine Products*, R.P.C. at 23 (emphasis added).
79. *Taittinger*, F.S.R. at 674.

It is important to note that the Court of Appeal in *Taittinger* found as a fact that there was a likelihood of confusion caused by the use of the word "Champagne" in the name of defendants' product. However, the Court went beyond this finding and commented on a blurring or erosion of the reputation in the plaintiff's mark as being a separate basis for damage. The case thus provides some support for dilution principles in U.K. law.

This position has not, however, been consistently adopted in subsequent cases. For example, in *Harrods Ltd. v. Harrodian School Ltd.*,[80] the Court of Appeal refused to grant relief to Harrods department store in an action for passing off against a private school called the Harrodian School. The Court noted that the trial judge had found that there was no likelihood of confusion and refused to extend the tort of passing off to include damage to goodwill in the absence of likelihood of confusion.

B. The European Community Trademark Harmonization Directive and the Current Act

As stated above, the United Kingdom amended its Trade Marks Act in 1994 after Britain became a member of the European Community. Before discussing the particular provisions relating to well-known marks, it is necessary to have a basic understanding of the European regulatory framework as it applies to the legislative scheme.

1. European Framework

Under European Community law there are two types of legally binding acts: regulations and directives. Regulations are meant to ensure uniformity of law, whereas directives comprise statements of principles and objectives. Regulations are directly applicable in each of the twenty-five Member States and do not require further implementation by those States. In contrast, directives are required to be specifically implemented by Member States, although each State can choose the form and method to achieve the directive's specified results.[81]

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80. [1996], R.P.C. 697 (C.A.).

81. Patricia McGovern, "Dilution in Europe" (Paper presented to the Intellectual Property Institute of Canada Annual General Meeting, September 2003) [unpublished].

2. The European Trademark Directive

In 1988, the European Community issued a directive requiring Member States to harmonize their trademark laws.[82] Article 5 of the Directive addresses trademark infringement. Subsection (1) states:

> The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade—
>
> (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered,
>
> (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

Article 5(1) of the Directive thus deals with two situations:

1. identical marks and identical goods/services; and
2. identical or similar marks and identical or similar goods/services.

Note that in the second scenario, there must be a likelihood of confusion, "which includes the likelihood of association." The interpretation of this latter phrase and whether it expands the traditional likelihood of confusion test has been the subject of recent case law, as discussed in the following section.

Article 5(2) of the Directive addresses a third situation, *i.e.*, identical or similar marks and *dissimilar* goods/services, where there is harm to the reputation of the mark. This provision represents a substantial departure from one of the traditional criteria for establishing likelihood of confusion. It gives a greater scope of protection to, at least, well-known—if not famous—marks that are registered. Also in some respects it echoes the antidilution laws of many states of the United States, but is more encompassing than the FTDA. The latter requires the higher showing of "fame" whereas the Directive affords protection to marks with a "reputation." Article 5(2) states:

> 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

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82. First Council Directive 89/104/EEC of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks [Directive].

> 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.

This provision has been said to have changed the nature of trademarks in the European Community. As stated by one commentator:

> A trademark is no longer merely an indicator of source but also a means of communication, a message bearer and a carrier of good will. . . .
>
> As such, trademarks—at least, those well known—are now recognized as having an intrinsic value, stretching beyond the source information they provide to the public with respect to the entrepreneurial of the particular goods and services.[83]

As will be seen below, the U.K. courts have been reluctant to move towards giving the Directive the broad interpretation suggested in this passage, although the decisions have conflicted somewhat.

3. Trade Marks Act of 1994

The current U.K. Trade Marks Act was implemented on October 31, 1994. Section 10 of the Act corresponds with Article 5 of the Directive. In particular, Subsections 10(1) and (2) correspond with Article 5(1) of the Directive, and Subsection 10(3) corresponds with Article 5(2) of the Directive. These subsections read as follows:

> 10. (1) A person infringes a registered trade mark if he uses in the course of trade a sign which is identical with the trade mark in relation to goods or services which are identical with those for which it is registered.[84]

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83. Pier Luigi Roncaglia, *Should We Use Guns and Missiles to Protect Famous Trademarks in Europe?* 88 TMR 551 (1998).

84. A recent case of note dealing with infringement of a well-known mark under Subsection 10(1) is *Arsenal Football Club plc v. Reed*, [2003], R.P.C. 696 (C.A.). The plaintiff soccer club owned trademarks that were being reproduced by the defendant on various memorabilia. The defendant argued that it was not liable for infringement, as it was using the marks as badges of allegiance, not as trademarks, and that this did not contravene Subsection 10(1), which requires use "in the course of trade." After an initial hearing before Justice Laddie (reported at [2001], R.P.C. 922), the question of whether the defendant's position had merit was referred to the European Court of Justice, which in turn rendered a detailed decision (reported at [2003] All E.R. (E.C.) 1) holding that the material consideration was whether the defendant's use was liable to impair the ability of the marks to serve as indicators of origin. The European Court of Justice further stated that it was immaterial whether the use was perceived as a badge of allegiance. The matter was

> (2) A person infringes a registered trade mark if he uses in the course of trade a sign where because—
>
> (a) the sign is identical with the trade mark and is used in relation to goods or services similar to those for which the trade mark is registered, or
>
> (b) the sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered,
>
> there exists a likelihood of confusion on the part of the public, which includes the *likelihood of association* with the trade mark [Emphasis added].
>
> (3) A person infringes a registered 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.

(a) Subsection 10(2)—The Meaning of "Likelihood of Association"

One of the first cases to consider the scope of Section 10 of the 1994 Act was *Wagamama Ltd. v. City Centre Restaurants Plc.*[85] The plaintiff operated a well-known inexpensive Japanese restaurant in London under the trademark WAGAMAMA. The defendant opened a restaurant in London serving Indian food, and used the name RAJAMAMA. The plaintiff brought an action for trademark infringement and passing off.

The Court dealt first with the issue of infringement. The Court examined the applicability of paragraph 10(2)(b) of the 1994 Trade Marks Act on the use of similar marks in association with identical or similar services. Justice Laddie of the Chancery Division first

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returned to Justice Laddie who found that the European Court of Justice had made its own findings of fact in coming to the conclusions it did, and had thus exceeded its jurisdiction. Justice Laddie therefore refused to find in favor of the plaintiff on the issue of infringement; [2003] 1 All E.R. 137 (Ch. Div.). The plaintiff appealed to the Court of Appeal, which held that Justice Laddie had erred in not following the guidance of the European Court of Justice. In the result, the Court of Appeal found in favor of the plaintiff on the issue of infringement. The case is of note since it deals with a well-known mark and confirms that the essential function of a trademark is as an indicator of origin.

85. [1995], F.S.R. 713 (Ch. Div.).

addressed the criteria for infringement under the 1938 Act ("classic infringement"). He stated that under the previous Act, the cases had determined that:

> . . . what counted was confusion as to the source of the goods or services bearing the offensive mark. In essence, the court would determine whether, as a result of similarities between the marks, goods or services bearing the alleged infringer's mark were likely to be thought to be derived from or connected with the proprietor of the registered mark. . . . [T]he association had to be an association as to source or origin.[86]

The plaintiff argued that Subsection 10(2) of the 1994 Act went even further, allowing a trademark owner to prevent mere association between its mark and the mark of another, even in the absence of confusion as to origin. According to the plaintiff, relief should be granted if the defendant's mark called to mind the plaintiff's mark, even if consumers knew that the services provided by the two restaurants were not from the same source. In the words of Justice Laddie, "This is a new concept to those steeped in British trade mark law."[87]

To support its argument, the plaintiff attempted to rely on, among other things, extrinsic evidence concerning the implementation of Article 5 of the Directive, on the basis of which Section 10 of the 1994 Act was enacted. The Court refused to consider such extrinsic evidence and reverted to first principles to construe Section 10. After reviewing various decisions of the European Court of Justice supporting the proposition that the primary function of a trademark is as an indicator of origin, Justice Laddie adopted a construction of Subsection 10(2) that accorded with classic infringement theory. In other words, the Court stated this subsection had to be interpreted in a manner consistent with the traditional function of a trademark as an indicator of source. The Court refused to adopt a more expansive interpretation of Subsection 10(2) as covering mere association or calling to mind in the absence of a likelihood of confusion as to source. As stated by Justice Laddie:

> If the broader scope were to be adopted, the Directive and our Act would be creating a new type of monopoly not related to the proprietor's trade but in the trade mark itself. Such a monopoly could be likened to a quasi-copyright in the mark. However, unlike copyright, there would be no fixed duration

86. *Id.* at 720 and 721.

87. *Id.*

for the right and it would be a true monopoly effective against copyist and non-copyist alike.[88]

The Court noted further that the preamble to the Directive expressly states that the particular function of a trademark is to guarantee the mark as an indication of origin. It ultimately found in favor of the plaintiff based on the claims of infringement and passing off.

Wagamama arguably presented the U.K. court with an opportunity to expand the traditional scope of trademark rights beyond strictly protecting the business associated with the mark and expanding such rights to include protecting the mark itself as a form of property. The Court, however, ultimately relied on traditional principles of British trademark law and limited the interpretation of Subsection 10(2) to encompass infringement only where a likelihood of confusion is present.[89]

Subsequent cases decided under Subsection 10(2) have taken a similar approach. In *British Sugar Plc v. James Robertson & Sons Ltd.*,[90] the plaintiff owned a registration for TREAT for use in association with dessert sauces and syrups. The defendant commenced marketing a spread, which it called ROBERTSON'S TOFFEE TREAT. The plaintiff sued for trademark infringement, and the defendant counterclaimed for revocation of the mark. The Court found there was no infringement on the basis that no confusion existed. Further, the plaintiff's mark was found to be descriptive and, hence, invalid. Of particular interest is the Court's treatment of Subsection 10(2). In formulating the test to be used under this provision, the Court listed the following questions:

1. Is the mark used in the course of trade?
2. Are the goods for which it is used similar to those covered by the registration?
3. Is there a likelihood of confusion because of that similarity?[91]

The Court did not address the interpretation of the words "likelihood of association" in Subsection 10(2), nor did it refer to the *Wagamama* case with respect to this point. The Court did,

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88. *Id.* at 730-31.

89. The European Court of Justice subsequently adopted a similar view with respect to the interpretation of Article 5(1)(b) of the Directive in *Marca Mode CV v. Adidas AG*, [2000] All E.R. (E.C.) 694. In that case, the European Court of Justice stated that a likelihood of association is not an alternative to a likelihood of confusion; rather, the former simply serves to define the scope of the latter. This conclusion was reached notwithstanding submissions to the effect that the phrase "likelihood of association" was derived from Benelux law, which does permit the application of dilution-style principles.

90. [1996], R.P.C. 281 (Ch. Div.).

91. *Id.* at 294.

however, refer to the Directive as noting the function of a trademark is as an indication of origin. Justice Jacobs concluded:

> No other purpose is mentioned. I think this sole purpose permeates the whole Directive and hence our 1994 Act.[92]

(b) Subsection 10(3)—Room for Dilution?

The Chancery Division subsequently had the opportunity to consider the interpretation of Subsection 10(3) in *Baywatch Production Co. Inc. v. The Home Video Channel*.[93] This provision covers infringement in the case of dissimilar wares or services where there is resulting detriment to the distinctive character or reputation of the mark. In this respect, Subsection 10(3) is closest to the FTDA.

In this case, the plaintiff was the producer of the television show "Baywatch." It owned a registration for the trademark BAYWATCH in association with a variety of goods, including video tapes and video discs featuring music, action-adventure, comedy, animation, sports or exercise. The registration did not cover television programs or broadcasting services. The plaintiff sought an interlocutory injunction against the defendant's use of BABEWATCH in the title of shows that it broadcast on an adult entertainment channel.

Although the plaintiff conceded in its injunction application that there was no evidence of confusion, it argued the defendant's use of BABEWATCH was intended to take advantage of the reputation and distinctive character of the plaintiff's BAYWATCH mark and the defendant's television shows tarnished the reputation of the plaintiff's series. The plaintiff asserted claims based on Subsections 10(2) and (3), and also on passing off.

With respect to Subsection 10(2), the Court held that the plaintiff could not succeed under this provision, as no likelihood of confusion had been shown, citing the *Wagamama* case as authority for this proposition. With respect to Subsection 10(3), plaintiff's counsel submitted that this provision applied regardless of whether or not a likelihood of confusion could be shown. The Court rejected this argument in the following words:

> I do not think this submission is well founded. Section 10(3) can only apply where a sign is used which is similar to the trade mark and is used in relation to goods or services which are not similar to those for which the mark is registered. The use of the concept of similarity in section 10(3)(a) introduces in my judgment the ingredient of a likelihood of confusion on the

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92. *Id.* at 298.

93. [1997], F.S.R. 22 (Ch. Div.).

> part of the public into section 10(3). Section 10(2) protection is given in relation to similar goods or services where, because of the similarity, there exists a likelihood of confusion on the part of the public. It would, it seems to me, be illogical for section 10(3) to give a greater protection in relation to non-similar goods or services by dispensing with the ingredient of a likelihood of confusion than the protection afforded to similar goods under section 10(2).[94]

This passage indicates two trains of thought:

1. The interpretation given to Subsection 10(2) by the Court in *Wagamama* restricted the Court in *Baywatch* to a similarly circumscribed interpretation of Subsection 10(3).
2. The Court in *Baywatch* was unprepared to break from the traditional principles of trademark infringement that existed prior to the implementation of the 1994 Act and refused to adopt a more expansive U.S. dilution-style approach.

One of the issues in applying an interpretation of Subsection 10(3) that requires a likelihood of confusion is how such a likelihood may arise where the goods and/or services are completely dissimilar. It appears the provision was enacted in order to provide relief from infringement even in the face of such dissimilarity. Some commentators have argued that the language of the provision requires dilution principles to be applied,[95] whereas others have posited that the approach taken in *Wagamama* and *Baywatch* was the correct one.[96]

The possibility of applying true dilution principles to the interpretation of Subsection 10(3) was first raised by Lord Justice Aldous in *British Telecommunications Plc v. One in a Million Ltd.*,[97] in which he stated "I am not satisfied that section 10(3) does require the use to be trade mark use nor that it must be confusing

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94. *Id.* at 30. The Court then articulated a test for the applicability of Subsection 10(3), stating that the provision is relevant only where a sign which is similar to the trademark, such that there is a likelihood of confusion on the part of the public, is used on dissimilar goods or services; the mark has a reputation in the United Kingdom; and the use of the sign, being without due cause, takes advantage of, or is detrimental to the distinctive character or repute of the mark; *id.* at 31.

95. William T. Vuk, *Protecting Baywatch and Wagamama: Why the European Union Should Revise the 1989 Trademark Directive to Mandate Dilution Protection for Trademarks*, 21 Fordham Int'l L.J. 861 (1998).

96. William Marroletti, *Dilution, Confusion, or Delusion? The Need for a Clear International Standard to Determine Trademark Dilution*, 25:3 Brook. J. Int'l L. 659 (1999); Amanda Michaels, *Confusion in and about Sections 5(3) and 10(3) of the Trade Marks Act 1994*, Eur. I.P. Rev. 335 (2000).

97. [1999], F.S.R. 1, 25 (C.A.).

use, but I am prepared to assume that it does." The challenge was taken up by the Chancery Division in *Premier Brands UK Ltd. v. Typhoon Europe Ltd.*,[98] which squarely confronted the issue of whether confusion was a prerequisite to a finding of infringement under Subsection 10(3). By that time, the European Court of Justice had been given the opportunity to find that confusion was not necessary for a plaintiff to succeed in a cause of action for infringement under Article 5(2) of the Directive.[99] The U.K. Court in *Typhoon* agreed. In its analysis, the Court referred to the principles of dilution as developed under U.S. law, and stated that dilution was a useful concept to bear in mind when considering Subsection 10(3). The Court stated, however, that not all cases of infringement under Subsection 10(3) would necessarily involve a finding of dilution. The Court then adopted the reasoning of the European Court of Justice in *Sabel*, stating that confusion is not a necessary element of infringement under Subsection 10(3), although some detriment needs to be shown by the plaintiff. In the case at bar, the plaintiff was unable to show confusion or any other form of detriment and was unsuccessful in establishing infringement.

In contrast to *Typhoon*, in the case of *Daimler Chrysler AG v. Alavi (t/a Merc)*[100] the Chancery Division imported a requirement that a connection between the parties' marks be found. The plaintiff alleged the defendant's use of MERC on clothing targeted to punk rockers and skinheads disparaged the plaintiff's MERCEDES trademarks. The Court disagreed, stating that Subsection 10(3) requires a connection between the mark and the disparaging use and that such a connection had not been shown in this case. Although the Court did not go so far as to say a likelihood of confusion was necessary, its finding certainly steps away from the application of dilution principles.[101]

Thus, the U.K. courts have, to date, been reluctant to apply dilution-style principles, although the wording of Subsection 10(3) of the 1994 UK Trade Marks Act would seem to permit the adoption of such principles into U.K. law.

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98. [2000], F.S.R. 767.

99. *Sabel BV v. Puma AG* (1998), R.P.C. 199.

100. [2001], R.P.C. 813.

101. In a similar vein, the European Court of Justice has held that Article 5(2) of the Directive requires that the public establish a link between the defendant's sign and the plaintiff's mark, and that this link is not conditional on a finding of confusion; *Adidas Salomon AG v. Fitnessworld Trading Ltd.* (October 23, 2003), C-408/01. It is unclear whether this "link" requires something more than a connection, or whether the two terms are synonymous.

V. THE CURRENT STATE OF THE LAW ON FAMOUS AND WELL-KNOWN MARKS IN CANADA

A. Basic Principles—Passing Off, Infringement and Confusion

Canadian law concerning famous and well-known marks has its principles rooted in U.K. law. Such marks can be enforced against third parties in a cause of action based on passing off or infringement.

In Canada, passing off can occur at common law, as well as under the Trade-marks Act. The cause of action was succinctly described by the Federal Court of Appeal as follows:

> The protection of trade-marks as property is based on the common law action for passing off. Historically, the marketplace has been very concerned with guaranteeing consumers the quality of goods that they had come to rely upon in the course of trade. To further that guarantee, the common law developed the tort of passing off, which helped to assure that a person was representing his or her goods as being his or her own goods and not the goods of someone else. A necessary element of the tort of passing off was always an attempt to deceive. When this attempt to deceive caused confusion and damage, it was actionable. While the rationale for the tort was to protect the public, it was not the consumer who sued, but the owner of the trade-mark who brought the action, thereby protecting the public, as well as its own interest.[102]

Passing off originated with the tort of deceit.[103] The doctrine is based on the principle that one trader is not to sell its goods under the pretence that they are the goods of another trader. This deception can often occur where the seller uses the trading *indicia* of the other trader.[104]

The common law roots of this cause of action are as stated in the *Advocaat* case.[105] The Supreme Court of Canada subsequently adopted the reasoning of the House of Lords in *Reckitt & Colman Products Ltd. v. Borden Inc.*[106] and identified the following elements of passing off:

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102. *United Artists Corp. v. Pink Panther Beauty Corp.* (1998), 80 C.P.R. (3d) 247; leave to appeal to S.C.C. granted 82 C.P.R. (3d) vi at 255; cited in Kelly Gill and R. Scott Jolliffe (eds.), *Fox on Canadian Law of Trade-Marks and Unfair Competition*, 4-3 (4th ed. 2002).

103. Fox, *id.*, at 4-5.

104. *Id.*

105. *Erven Warnink BV v. Townend & Sons (Hull)*, [1980], R.P.C. 31 (H.L.).

106. [1990], 1 W.L.R. 491 (H.L.).

1. the existence of goodwill;[107]
2. deception of the public due to a misrepresentation; and
3. actual or potential damage to the plaintiff.[108]

The Supreme Court then referred to an earlier decision in which that same Court had noted that the requirements of an action for passing off have evolved over time:

> . . . attention should be drawn to the fact that the passing off rule is founded upon the tort of deceit, and while the original requirement of an intent to deceive died out in the mid-1800s there remains the requirement, at the very least, that *confusion in the minds of the public be a likely consequence* by reason of the sale, or proffering for sale, by the defendant of a product not that of the plaintiff's making, under the guise or implication that it was the plaintiff's product or the equivalent.[109]

Thus, likelihood of confusion is an essential element of passing off.

Common law passing off has been codified in the Canadian Trade-marks Act. In particular, Subsections 7(b), (c) and (d) encompass a definition of statutory passing off which has no significant differences from the common law version.[110] These provisions state:

> 7. No person shall
>
> . . .
>
> (b) direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another;
>
> (c) pass off other wares or services as and for those ordered or requested;
>
> (d) make use, in association with wares or services, of any description that is false in a material respect and likely to mislead the public as to

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107. The following definition of goodwill was adopted from a decision of the House of Lords: "[Goodwill is] the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom."

108. *Ciba-Geigy Canada Ltd. v. Apotex Inc.* (1993), 44 C.P.R. (3d) 289, 297 (S.C.C.).

109. *Consumers Distributing Co. v. Seiko Time Canada Ltd.* (1984), 1 C.P.R. (3d) 1, 15-16 (emphasis added).

110. Fox, *supra* note 102, at 4-4. See also *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.* (1987), 14 C.P.R. (3d) 314, 327 (F.C.A.), in which it was stated that "[s]ubsection 7(b) is a statutory statement of the common law action of passing-off. . . ."

(i) the character, quality, quantity or composition,
(ii) the geographical origin, or
(iii) the mode of manufacture, production or performance of the wares or services;

. . .

The "classical" form of passing off is embodied in Subsection 7(b), which typically involves the use of confusing trading *indicia*.[111]

Similarly, infringement of a registered trademark occurs, *inter alia*, where a third party uses a confusing trademark or trade name.[112]

A likelihood of confusion thus is essential to a finding of liability based on both passing off and infringement. Confusion is dealt with in Section 6 of the Trade-marks Act.[113] Subsections (2), (3) and (4) deal with confusion between two trademarks and between a trademark and a trade name. Subsection 6(2) is exemplary:

> 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*.[114]

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111. Fox, *supra* note 102, at 4-15. It should be noted that the Trade-marks Act, being a federal statute, is also applicable in the Province of Quebec. However, Quebec does not have a common law tradition; rather, its system is based on the French civil law system. The relevant provision of the Quebec Civil Code is Article 1457, which reads:

> Every person has a duty to abide by the rules of conduct which lie upon him, according to the circumstances, usage or law, so as not to cause injury to another.
>
> Where he is endowed with reason and fails in this duty, he is responsible for any injury he causes to another person and is liable to reparation for the injury, whether it be bodily, moral or material in nature.
>
> He is also liable, in certain cases, to reparation for injury caused to another by the act or fault of another person or by the act of things in his custody.

This provision has been interpreted as being equivalent to Section 7 of the Trade-marks Act. *See* id. at 4-18–4-19.

112. Trade-marks Act, Section 20.

113. Note that the Ontario Superior Court has stated that fulfillment of the criteria for confusion listed in Section 6 does not necessarily lead to the conclusion that confusion sufficient to found a claim for passing off has occurred. According to Justice Kealey, Section 7 demands a broader approach to confusion; *Molson Canada v. Oland Breweries Ltd.* (2001), 11 C.P.R. (4th) 199, 215-16 (para. 35); *aff'd on other grounds*, (2002), 19 C.P.R. (4th) 201 (Ont. C.A.).

114. Emphasis added. Note that the concluding words in this paragraph *prima facie* appear to fulfill Canada's treaty obligations under the TRIPS Agreement. See also the comments of Justice Linden in the *Lexus* case, Part V.C.3.

In addition, Subsection 6(5) contains a non-exhaustive list of factors to be considered in determining whether marks are confusing:

> In determining whether trade-marks or trade-names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including
>
> (a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;
>
> (b) the length of time the trade-marks or trade-names have been in use;
>
> (c) the nature of the wares, services or business;
>
> (d) the nature of the trade; and
>
> (e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.

It will next be instructive to examine how Canadian courts have applied these principles in cases involving famous and well-known marks.

B. Canadian Case Law—Reputation Without Use

There have been a number of Canadian cases that have dealt with foreign (usually American) entities attempting to enforce rights in well-known marks in Canada through allegations of passing off, without the foreign mark holder actually having used the marks in Canada. In such instances, the foreign plaintiff has succeeded when it has been able to establish sufficient reputation of its mark in Canada, for example, by "spillover" advertising. Some of the more significant "reputation without use" cases are discussed below.

One of the earliest such cases was *Hilton Hotels Corp. v. Belkin*.[115] The plaintiffs operated first-class hotels in the United States and internationally under the name HILTON, but did not operate any hotels in Canada. The defendant opened a hotel under the name "Hilton Hotel" in an undesirable part of the City of Vancouver. The British Columbia Supreme Court granted an interlocutory injunction in favor of the plaintiff, finding it would suffer damage to its reputation through the operation of the defendant's hotel.[116] This case is significant, as the Court did not make any specific reference to the existence of any local goodwill.

115. (1956), 24 C.P.R. 100 (B.C.S.C.).

116. *Id.* at 102.

Another significant decision by the Ontario Court of Appeal is *Orkin Exterminating Co. v. Pestco Co. of Canada*.[117] This case has been considered a leading example of reputation without use and has been cited in various foreign jurisdictions.[118] The American plaintiff carried out exterminating and pest control services in the United States in association with the trademark ORKIN & Design. The defendant provided the same types of services, though not in the same geographic areas as the plaintiff. In particular, the plaintiff did not carry on business to any significant degree in the Province of Ontario, where the defendant was located. The action was commenced after the defendant started using the name "Orkin Exterminating Company" along with the mark ORKIN & Design, which was identical to the plaintiff's mark. The plaintiff sued for passing off.

The Court reviewed the evidence adduced by the plaintiff with respect to its reputation. It found that Canadians were exposed to the plaintiff's mark when vacationing in the United States and through advertising in American publications circulated in Canada. Although the plaintiff had very few actual customers in Ontario, the Court stated that "the existence of customers in Ontario is one factor only in determining the extent of Orkin's goodwill in Ontario."[119] The Court concluded the American plaintiff had demonstrated sufficient reputation in Ontario to sustain an action for passing off and awarded an injunction and damages. In a key passage, the Court noted:

> [A] plaintiff does not have to be in direct competition with the defendant to suffer injury from the use of its trade name by the defendant. If the plaintiff's trade name has a reputation in the defendant's jurisdiction, such that the public associates it with services provided by the plaintiff, then *the defendant's use of it means that the plaintiff has lost control over the impact of its trade name in the defendant's jurisdiction*. The practical consequence of this is that the plaintiff is then vulnerable to losing the Ontario customers it now has as well as prospective Ontario customers, with respect to services provided in the United States. Also, it can result in Orkin being prevented from using its trade name in Ontario when it expands its business into Ontario.[120]

Particularly noteworthy is the reliance of the Canadian Court on U.K. and U.S. decisions that touch on the concept of dilution of goodwill. After citing the *Sheraton* case, the Court indicated both

117. (1985), 5 C.P.R. (3d) 433 (Ont. C.A.)

118. Fox, *supra* note 102 at 4-86 n.381.

119. Orkin, *supra* note 117 at 438.

120. *Id.* at 444 (emphasis added).

U.K. and U.S. law recognized "that a trade name associated with services or goods deserves protection from another party using it in connection with services or goods which are not in competition with the plaintiff's."[121]

In sum, although the Court in *Orkin* did recognize the applicability of dilution or dilution-like principles, it is important to note that likelihood of confusion was still present by virtue of the defendant's appropriation of the plaintiff's trade name and trademark. Thus, *Orkin* cannot be said to be a pure example of a dilution case.

There are other cases which have been decided by Canadian courts in which the reputation of a trademark owned by a foreign party but not used in Canada has nonetheless been protected.[122] However, these other cases do not rely on dilution principles and there is no requirement that the mark be famous *per se*.[123] Rather, these cases each examine the detailed evidence of reputation of the mark among Canadians and apply the traditional elements of passing off.

C. Canadian Case Law—Famous Marks

1. Early Case Law (Pre-*Pink Panther*)

The *Pink Panther* case, referenced previously and discussed in detail below, was viewed by many as a watershed case on the scope of protection to be accorded famous trademarks. However, prior to its being decided, other cases were identified in the literature[124] as

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121. *Id.* at 445.

122. For example, in *Enterprise Rent-A-Car Co. v. Singer* (1996), 66 C.P.R. (3d) 453 (F.C.T.D.), *aff'd*, (1998), 79 C.P.R. (3d) 45 (F.C.A.), the Canadian defendant commenced using the trademark ENTERPRISE in Canada in association with car and truck rental services. The Court found that at the time the Canadian defendant commenced such use, the mark was already known to many Canadians as a mark used by the U.S. plaintiff. The plaintiff was found to have a sufficient reputation in Canada, despite never having done business in this country, to support an action for passing off. Similarly, in *Walt Disney Productions v. Triple Five Corp.* (1992), 43 C.P.R. (3d) 321 (Alta. Q.B.), *aff'd*, (1994), 53 C.P.R. (3d) 129, leave to appeal to S.C.C. refused (1994), 55 C.P.R. (3d) vi (S.C.C.), the defendant commenced using the name FANTASYLAND for the operation of an indoor amusement park at the West Edmonton Mall. The plaintiff, who did not carry on business in Canada under the name FANTASYLAND, sued for passing off. It adduced sufficient evidence of an established reputation in Canada in association with FANTASYLAND to support its claim for passing off. This evidence related to the plaintiff's worldwide advertising and promotion campaign, and the number of Canadians who visited the plaintiff's theme parks in the United States. It is interesting to note that in a second proceeding between related parties, the plaintiff was unable to establish goodwill in the name FANTASYLAND HOTEL sufficient to support the granting of an injunction against the use of that name by the defendant; *see Walt Disney Productions v. Fantasyland Hotel Inc.* (1994), 56 C.P.R. (3d) 129 (Alta Q.B.), *aff'd*, (1996), 67 C.P.R. (3d) 444 (Alta. C.A.).

123. *Enterprise*, 66 C.P.R. (3d) at 477.

124. *See*, *e.g.*, Corneau & Linehan, *supra* note 1.

being exemplary of instances where Canadian courts had prevented the use of well-known marks by unauthorized third parties in respect of dissimilar wares or services.[125]

One case so cited is that of *Berry Bros. & Rudd Ltd. v. Planta Tabak-Manufactur*.[126] However, a close analysis reveals that the Federal Court ultimately did find a connection between the wares of the two parties. This case was an opposition proceeding in which the applicant sought to register the mark CUTTY SARK for pipe tobacco. The application was opposed on the basis of the opponent's registration for CUTTY SARK for whisky, spirits and wines. The Opposition Board rejected the opposition, and the opponent appealed to the Trial Division of the Federal Court. Mr. Justice Cattanach found as a fact that the opponent's CUTTY SARK trademark was famous. He then noted evidence adduced by the opponent from the trademark register showing that tobacco companies also engaged in the brewing of alcoholic beverages. He accepted the opponent's submission that judicial notice ought to be taken of the fact that people often consume tobacco and alcohol together. A connection between the wares of the parties was found and the application was refused.

The case of *Sun Life Assurance Co. v. Sunlife Juice Ltd.*[127] has also been cited as an example of protection of the use of well-known marks in association with dissimilar wares or services. The plaintiff had registered several SUNLIFE trademarks, which were used in association with a variety of wares and services, including the sponsorship of sporting and cultural events. The defendant used the identical mark in association with fruit juices. Although the court did find in favor of the plaintiff in this regard, it must be noted that the plaintiff conducted a survey that showed that a significant portion of the population thought a brochure advertising the plaintiff's services and a bottle of the defendant's juice came from the same company. The court, therefore, found the defendant had failed to demonstrate there was no likelihood of confusion.

The court did make a fairly strong statement regarding protection for dissimilar wares and services when it noted that "the owner of a registered trade mark or trade name is entitled to

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125. Daniel Bereskin has characterized these cases as extending "dilution-type protection to well-known marks by means of what can be referred to as a 'sliding scale' test for confusion or by focusing on the reputation or goodwill attaching to the mark"; *see* Frederick W. Mostert, *Famous and Well-Known Marks: An International Analysis* 247 (1st ed. 1997). As was pointed out in the section on U.S. law, however, confusion is antithetical to a finding of dilution. In the author's view, the Canadian cases mentioned in this section were all decided on the basis of traditional principles concerning likelihood of confusion, and not dilution or dilution-type principles.

126. (1981), 53 C.P.R. (2d) 130 (F.C.T.D.).

127. (1989), 22 C.P.R. (3d) 244 (Ont. H.C.).

protection beyond the field in which it is used."[128] However, the court noted that the plaintiff promoted physical fitness by sponsoring sporting events, and the defendant's juice products were chosen because of the public's desire for good health. Thus, it was "not inconceivable . . . to imagine that a bottle of the defendant's juice may very well end up beside the plaintiff's brochure at one of these sporting events."[129] The court therefore concluded that a connection between the wares of the defendant and the services of the plaintiff could be made.

It may be said that, up to this point at least, Canadian courts had recognized a need for a connection between the wares and services of two parties before a likelihood of confusion could be found, even in cases involving famous or well-known marks.[130] This principle has subsequently been reinforced by the Federal Court of Appeal, as discussed below.

2. *Pink Panther*

In addition to the two cases analyzed above, the Canadian Trade-marks Office and Canadian courts have had many occasions to consider the scope of protection to be afforded to famous marks. Various conflicting decisions were reviewed by the Federal Court of Appeal in *Pink Panther*.[131] As this is widely considered to be the leading case on this topic, it merits detailed discussion here.[132]

Pink Panther Beauty Corporation applied to register the trademark PINK PANTHER for use in association with a wide variety of hair care, beauty product supplies and associated services. The application was opposed by United Artists Corporation based on its trademark THE PINK PANTHER, which had been registered for use in association with records, films, film leasing and distribution services and entertainment services. The Registrar of Trade-marks dismissed the opposition of United Artists, holding that there was no likelihood of confusion between

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128. *Id.* at 251.

129. *Id.* at 252.

130. Other examples of such cases include: *Leaf Confections Ltd. v. Maple Leaf Gardens Ltd.* (1986), 12 C.P.R. (3d) 511 (F.C.T.D.), in which an application for LEAF & Design resembling the logo for the Toronto Maple Leafs hockey club was refused for use in association with bubble gum where the registration for the hockey club logo also covered snack foods; *Glen-Warren Productions Ltd. v. Gertex Hosiery Ltd.* (1990), 29 C.P.R. (3d) 7 (F.C.T.D.), in which an application for MISS CANADA for hosiery was refused on the basis of a registration for the identical mark in association with the running of a beauty pageant.

131. *United Artists Corp. v. Pink Panther Beauty Corp.* (1998), 80 C.P.R. (3d) 247; leave to appeal to S.C.C. granted 82 C.P.R. (3d) vi, 255.

132. It is critical to note that this case was an appeal from an opposition proceeding, and *not* an action for infringement or passing off. The court was thus limited to deciding the issue of the registrability of the applicant's mark, and in particular to determining whether there was a likelihood of confusion.

the marks. The Registrar stated there was insufficient evidence before him to find that United Artists' mark was well-known in Canada and emphasized the difference in the goods and services of the parties.

United Artists appealed to the Federal Court Trial Division. As it was entitled to do, it introduced substantial additional evidence concerning the fame of THE PINK PANTHER trademark. Justice MacKay assessed the evidence and found in favor of United Artists, holding that its mark was very famous and therefore entitled to a wide ambit of protection. The Trial Judge stated that there was a likelihood of confusion between the two marks, in spite of the fact that the nature of the wares and services of the parties, as well as the nature of the trade, were quite divergent.

Pink Panther Beauty Corporation filed a further appeal to the Federal Court of Appeal. Justice Linden, with Chief Justice Isaac concurring, allowed the appeal and found in favor of the beauty company. The Court held that the Trial Judge erred in finding for United Artists by virtue of the fame of its mark. Although the court stated there was no doubt that THE PINK PANTHER is a famous and strong mark, it nevertheless went on to hold there was no likelihood of confusion as to the source of the products, given the gaping divergence in the nature of the wares and of the trade. The Court of Appeal ordered that the matter be returned to the Registrar to dispose of the application on the basis that the applicant's mark could not be confused with the opponent's mark.

Justice McDonald wrote a strong dissent, attributing an element of bad faith to the applicant. He found that the applicant chose the name PINK PANTHER "precisely because of the fame and goodwill" of the opponent's mark. Justice McDonald concluded that "the decision of Linden J.A. launches trade mark protection down a slippery slope which will result in the protection of famous names in only the very clearest of cases."[133]

Leave to appeal to the Supreme Court of Canada was granted, but the matter was resolved prior to a hearing date being set.

3. *Lexus*

The reasoning espoused in *Pink Panther* was reinforced in the more recent case of *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.*[134] Here, Lexus Foods applied to register LEXUS for use in association with canned fruit products. Toyota opposed on the basis of its registered mark LEXUS for use in association with automobiles and related wares and services. The Registrar rejected

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133. *Pink Panther*, 80 C.P.R. (3d) at 272

134. (2000), 9 C.P.R. (4th) 297 (F.C.A.).

the opposition. Additional evidence was adduced on appeal to the Federal Court Trial Division, which found in favor of Toyota on the basis that its LEXUS mark was famous or very well known. The Trial Judge distinguished the *Pink Panther* case and accorded less weight to the differences in the types of wares and services on several grounds:

- LEXUS was a coined word,
- The applicant knowingly chose the name because it signified quality, and
- A trademark that is only starting to become famous deserves a wider ambit of protection to preserve its rising reputation.

The Federal Court of Appeal reversed and found in favor of Lexus Foods. Led once again by Justice Linden, the Court of Appeal held the Trial Judge had erred in not giving due consideration to the "striking difference in the wares." The Court considered the concluding words in Subsection 6(2) of the Trade-marks Act, "whether or not the wares or services are of the same general class" and stated these words do not mean the nature of the wares is irrelevant in determining confusion. Rather, the words suggest that confusion may be generated among wares that are not in the same general class, but still have some connection to the wares in question.

On the issue of fame, the Court stated:

> Famousness alone does not protect a trade-mark absolutely. It is merely a factor that must be weighed in connection with all the rest of the factors. If the fame of a name could prevent any other use of it, the fundamental concept of a trade-mark being granted in relation to certain wares would be rendered meaningless.[135]

Following this decision, Toyota applied for leave to the appeal to the Supreme Court of Canada. Surprisingly, leave was denied. The current state of the law in Canada with respect to the scope of protection to be accorded to famous marks is thus as embodied in the *Pink Panther* case.[136]

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135. *Id.* at 301-02. This language was echoed in the subsequent case of *Mattel, Inc. v. 3894207 Canada Inc.* (2004), 30 C.P.R. (4th) 456 (F.C.), in which the Federal Court affirmed the finding of the Trade-mark Opposition Board against Mattel, the owner of various BARBIE trademarks for dolls and associated wares. Mattel had unsuccessfully opposed the numbered company's application for BARBIE & Design for restaurant and catering services. The finding was subsequently upheld by the Federal Court of Appeal; *see* 2005 FCA 13. Leave to appeal to the Supreme Court of Canada has been granted, and the appeal will be heard together with the appeal in the *Veuve Clicquot* case, *infra*.

136. This position is not without its critics. For example, Isabelle Pillet has argued that famous marks deserve a broader scope of protection to acknowledge the effort and inventiveness of the owner of the mark. She points out that a famous mark confers a certain

The Supreme Court of Canada will have another opportunity to address famous marks in the BARBIE case and in the case of *Veuve Clicquot Ponsardin, Maison Fondée en 1772 v. Boutiques Cliquot Ltée.*[137] In this latter case, the French champagne house Veuve Clicquot sued the defendant for trademark infringement and passing off over the defendant's use of CLIQUOT for women's clothing. The plaintiff was unsuccessful at trial since it failed to establish a connection between its wares and those of the defendant, in spite of the plaintiff's attempt to submit evidence concerning a strategy of "brand extension" of its mark from champagne to other goods. This finding was affirmed on appeal.[138] The plaintiff obtained leave to appeal to the Supreme Court of Canada, which is scheduled to hear the appeal in both this case and the BARBIE case in October 2005.

4. *Vogue*

Since the *Pink Panther* and *Lexus* decisions, the Federal Court on occasion has attempted to distinguish those cases on their facts. Of note in this regard is the case of *Advance Magazine Publishers Inc. v. Masco Building Products*.[139] Masco applied to register the trademark VOGUE for use in association with door locks and lock hardware. The application was based on proposed use. Advance Magazine opposed the application on the basis of its registration for VOGUE for various items, including magazines. The affidavit evidence filed by Advance Magazine showed that its publications regularly featured articles on interior decoration, and that occasionally, entire issues were devoted to this subject. The Opposition Board, applying *Pink Panther*, rejected the opposition, stating that there was no connection between the wares.[140]

On appeal by Advance Magazine, the matter came before Associate Chief Justice Richard (as he then was). After confirming the basic principle that a "strong mark is entitled to a broad ambit of protection,"[141] Associate Chief Justice Richard stated:

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attraction that many would wish to benefit from, and is of the view that the courts should not have retreated to familiar territory with respect to the likelihood of confusion test as it is applied to famous marks; "L'enregistrement de la marque notoire: réflexions pratiques et théoriques" (2001) 14:1 Les Cahiers de propriété intellectuelle 335 at 361.

137. (2003), 28 C.P.R. (4th) 520 (F.C.T.D.).

138. *Veuve Clicquot Ponsardin, Maison Fondée en 1772 v. Boutiques Cliquot Ltée.*, (2004), 35 C.P.R. (4th) 1 (F.C.A.)

139. (1999), 86 C.P.R. (3d) 207 (F.C.T.D.).

140. *Advance Magazine Publishers Inc. v. Masco Building Products*, (1997), 73 C.P.R. (2d) 311 (T.M.O.B.).

141. *Advance Magazine*, 86 C.P.R. (3d) at 217.

> Where an opponent has a strong trade mark and the applicant has not led any evidence to dispel the connection between the products or services offered by the opponent and those offered by the applicant, in the sense that the public might infer that the applicant was approved, licensed or sponsored by the opponent, or that there was some business connection between the two parties, the applicant has failed to satisfy the onus upon it.[142]

The Court concluded that there was no gaping divergence between the wares of the parties and allowed the appeal, refusing to permit Masco's trademark application.

Based on a review of the foregoing cases concerning likelihood of confusion where one mark is famous, perhaps the only consistent principle to be drawn is that "much of the jurisprudence has little precedential value. The cases turn on the particular and often unique facts. . . . As a result cases decided in the past may be interesting, but not generally helpful. . . ."[143]

D. Section 22—A Basis for Dilution?

After the Federal Court of Appeal issued its reasons in the *Pink Panther* case, many observers expressed surprise at the result. However, this case originated as an opposition proceeding that was subsequently appealed to the Federal Court of Canada. It was *not* an infringement proceeding. Opposition proceedings have traditionally been limited to specific grounds set out in Subsection 38(2) of the Trade-marks Act concerning the technical requirements of the application and the registrability and distinctiveness of the mark. In contrast, it is common to rely on Sections 19, 20 and 22 of the Trade-marks Act in infringement proceedings. Section 19 states that the owner of a trademark registration has the exclusive right to use that mark across Canada in association with the wares and services listed in the registration. Section 20 defines infringement in terms of use of a confusing trademark or trade name. *Bona fide* uses of personal names, geographical names and accurate descriptions of the wares or services are exempted, as long as such use is not likely to have the effect of depreciating the value of the goodwill attaching to the trademark.

Of particular interest is Section 22, which deals with depreciation of goodwill. Subsection 22(1) states:

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142. *Id.* at 218.

143. *Pink Panther*, 80 C.P.R. (3d) at 264.

> 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.

This provision has not been relied upon in opposition proceedings, but has been cited as an additional ground of relief only in actions for infringement.[144] As stated by a leading Canadian text:

> Section 22 offers the possibility of a further remedy in addition to those provided under sections 19 and 20 when a registered trade mark is used by another in a manner likely to have the effect of depreciating the value of the goodwill attached to said trade mark. Thus, it may be possible, to obtain relief from the unauthorized use of a trade mark even if sections 19 and 20 cannot be relied on to prevent the offending use of the registered trade mark.[145]

The use of Section 22 to support a ground of relief separate and apart from infringement is supported by an examination of the legislative history of this provision.

1. History of Section 22

The current version of the Canadian Trade-marks Act traces its roots back to the Trade-marks Act of 1953.[146] The 1953 Act, in turn, replaced the Unfair Competition Act of 1932, which was the first statute in Canada that attempted to regulate commerce and competition based on principles of fairness.[147] As difficulties in interpreting the 1932 Unfair Competition Act became more widespread, a committee was appointed on October 28, 1947 (the "Committee") to study the Canadian trademark system and recommend the principles on which such a system should be based.

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144. See *Tundra Knitwear Ltd. v. RELTEC Corp.* [2001], T.M.O.B. No. 89, in which the Trade Marks Opposition Board stated that depreciation of goodwill is not a ground of opposition. This follows earlier cases which held that depreciation of goodwill falls strictly within the jurisdiction of the courts, and is not a proper ground of opposition; *see Dubiner and National Yo-Yo & Bo-Lo Co. Ltd. v. Heede International Ltd.* (1975), 23 C.P.R. (2d) 128; *Uncle Ben's Inc. v. Uncle Ben's Tartan Breweries (B.C.) Ltd.* (1975), 25 C.P.R. (2d) 102; *General Foods, Ltd. v. E.B. Eddy Forest Products Ltd.* (1980), 62 C.P.R. (2d) 249; *General Foods, Ltd. v. Scott Paper Co.* (1981), 62 C.P.R. (2d) 284. This principle addresses the point made by Siebrasse, *supra* note 66, in which he noted (in footnote 192) that the *Pink Panther* case had been argued all the way to the Federal Court of Appeal without a dilution argument under Section 22 having been raised.

145. Hugues G. Richard, Editor-in-Chief, *Canadian Trade-marks Act Annotated* 22-2 (2003).

146. 1-2 Eliz. II, c. 49.

147. Harold G. Fox, *The Canadian Law of Trade Marks and Unfair Competition* 22 (2d ed. 1956). This, in turn, was preceded by the *Trade Mark and Design Act* of 1868, 31 Vict., c. 55, which was the first statute passed after Confederation in 1867 dealing with trademarks; Fox, *supra* note 102, at 1-4.

The Report of the Trade Mark Law Revision Committee to the Secretary of State of Canada was presented on January 20, 1953 (the "Report").[148] The draft statute attached thereto was subsequently enacted with only minor modifications, and came into force on July 1, 1954.

As is apparent from the Report, the issue of the scope of protection to be given to famous marks was front and center to Committee members. The Committee solicited views of industry organizations in Canada, Great Britain and the United States and circulated questionnaires to these organizations that contained the following inquiry with respect to famous marks:

> Should the right of the owner of a registered trade mark be extended to enable him to prevent its use on wares not similar to those upon which it is registered? . . . If so, should this extended right apply in the case of (a) any trade mark, or (b) only particularly famous marks such as KODAK, ROLLS ROYCE? How should such marks be defined?[149]

The responses indicated there was a consensus towards giving greater protection to well-known marks, at least to cover related wares or services, and, in some cases, wares or services of all types. The Committee concluded the use of the term "confusing" would result in a satisfactory system, and that this theory could be found in several sections of the draft legislation attached to the Report, including Sections 6 and 22. In particular, a mark is confusing with another mark if the use of both in the same area would likely lead to the inference that the wares or services associated with both marks are somehow connected, regardless of whether the wares or services are of the same general class. This provision is now found in Subsection 6(2) of the Act, with corresponding provisions dealing with trade names in 6(3) and 6(4).

The commentary dealing with Section 22 appears in the portion of the Report dealing with the ambit of protection to be accorded to trademarks. In this portion, the Committee pointed out the problems that had arisen under the 1932 Unfair Competition Act, which required that wares be "of the same kind" before protection would ensue. The cases decided under this provision led to some intuitively contradictory results. The Report then mentioned the *Kodak* case, and stated that U.S. law had developed to show a wider acceptance of the principle set out in *Kodak*, *i.e.*, that protection could extend to dissimilar wares. The U.S. case of *Standard Brands Inc. v. Smidler*[150] was also cited. In that case, the plaintiff had a trademark registration for V-8 for vegetable juice.

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148. The entire Report is reproduced as an appendix to Fox 2d ed. starting at 1142.

149. Fox, *supra* note 102, at 1183.

150. 66 U.S.P.Q. 337 (1945).

The defendants were selling vitamins using the mark V-8. The court found that the products were entirely different in appearance and that one could not be mistaken for another. The court went on to say, however, that this was irrelevant. The quote endorsed by the Committee is as follows:

> The gist of this action for infringement of the plaintiff's mark just as in the related cause of action for unfair competition is confusion not as to the kind of product but as to the source of the product.[151]

The Committee adopted this view and stated that actual competition between goods should cease to be a determining factor in considering the scope of protection to be given to trademarks. The Committee then stated in its Report:

> Goodwill built up in a trade mark by length of use, fair dealing, the intrinsic merit of the product and 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. There is damage to him from confusion of reputation or goodwill in the minds of the public as well as from confusion of wares. When a trader has established a name or mark and invested it with an honourable 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 trade mark. It is naturally supposed by many that the old concern has gone into a new field.[152]

This passage is interesting, since the first sentence suggests that a separate proprietary right ought to exist in the trademark *per se*, lending support to the argument that Section 22 is meant to be an antidilution provision. The remainder of the passage, however, points to confusion as being a necessary element before protection will be granted. Indeed, the Report went on to state that "the focal point at which any system of trade mark protection should aim is the prevention and elimination of confusion."[153]

In dealing specifically with Section 22, the Report notes it is a corollary to Sections 19 and 20, which deal with infringement. As stated above, certain *bona fide* uses are exempted under Section 20, as long as such use is not likely to have the effect of depreciating the value of the goodwill attaching to the trademark.

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151. *Id.* at 340.

152. Fox, 2d ed., *supra* note 147 at 1165.

153. *Id.* at 1166.

The Report makes it clear that Section 22 was enacted as a positive provision to this effect.

In summary, the Report establishes the following:

1. Section 22 is meant to be a corollary to the infringement provisions found in Sections 19 and 20 of the Act;
2. The prevention and elimination of confusion is the main goal of the Act; and
3. Some support for more expansive protection to be granted to a mark in respect of wares or services of a different class is found in Subsection 6(2), but this provision still requires that the marks be used in the same area, and that a connection as to source is made.

In the author's view, the enactment of Section 22 was *not* meant to import a broad antidilution provision into Canadian law.[154] At least one author, however, has likened this provision to American antidilution legislation.[155] The analogy derives from the fact that likelihood of confusion is not expressly stated as a necessary element to proving depreciation of goodwill under Section 22,[156] unlike in the case of a traditional infringement action under Section 20.[157] In addition, it is not necessary for a defendant to be a commercial competitor of the registered trademark owner in an action based on Section 22.[158] This is similar to the provision in the FTDA, which states that competition between the owner of the famous mark and other parties is not necessary to establish dilution.[159]

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154. Siebrasse, *supra* note 66, expresses the contrary view at 289. He bases his conclusion that Section 22 was meant to be an antidilution provision on comments made by Fox in the 2d edition of his text. He does, however, acknowledge that the Report itself is "obscure" as to the meaning of Section 22, but goes on to say that the Report is consistent with Fox's understanding. In a footnote to this comment, Siebrasse again refers to *The Eastman Photographic Materials Company, Ltd. v. The John Griffiths Cycle Corporation, Ltd.* (1898), 15 R.P.C. 105 (Ch. Div.), and suggests that the reference to this case in the Report together with references to famous marks and depreciation of goodwill "strongly suggests that depreciation of goodwill is to be understood as dilution, though the simultaneous reference to confusion clouds the issue." The author respectfully disagrees with Siebrasse's conclusion, based on the wording of the Report itself (quoted above), as well as the fact that a careful reading of *Kodak* reveals that it was not based on dilution principles, but rather on the finding of both a likelihood of confusion and a connection between the wares of the parties.

155. Daniel Bereskin in Mostert, *supra* note 1, at 4-102.

156. *ITV Technologies, Inc. v. WIC Television Ltd.*, [2003] F.C. No. 1335 (T.D.) (QL).

157. Subsection 20(1) reads in part: "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 or trade-name. . . ."

158. *Rotisseries St-Hubert v. Le Syndicat des Travailleurs* (1986), 17 C.P.R. (3d) 461 at 467-8 (Que. S.C.).

159. 15 U.S.C. § 1127.

Further, the words "depreciating the value of the goodwill attaching thereto" bring to mind the phrase in the FTDA, "causes dilution of the distinctive quality of the mark." "Goodwill," as referred to in Section 22, has been defined as "that portion of the goodwill of the business of its owner which consists of the whole of the advantage of the reputation which is identified with the goods distributed by the owner in association with the trade-mark."[160] In fact, the authors of one leading Canadian text have equated the terms "depreciating the value of the goodwill" and "dilution of the distinctive quality of the mark":

> To depreciate the value of the goodwill means simply to reduce in some way the advantage of the reputation that may have been built up by years of honest work or gained by lavish expenditure of money, to which the association of the trade-mark with the goods or services largely contributed. Goodwill has value only to the extent that the reputation and connection confer an advantage that the owner enjoys; whatever reduces that advantage reduces the value of the goodwill. Depreciation of that value occurs whether arising through a reduction of the esteem in which the mark itself is held or through the direction persuasion and enticement of customers who would otherwise buy or continue to buy the goods bearing the trade-mark. *In such a case, the result is the dilution of the distinctiveness or unique character of the trade-mark.*[161]

In addition, some Canadian cases have granted relief under Section 22 that supports its interpretation as protecting against tarnishment. The following examples can be given:

- An Anton Piller Order[162] was granted against a defendant who was repackaging the plaintiff's coffee using the plaintiff's mark, where the resulting product was rancid and foul-tasting;[163]
- Infringement was found against a defendant who used BONUS for dog food where the plaintiff had a

160. *Clairol International Corp. v. Thomas Supply & Equipment Co.* (1968), 55 C.P.R. 176.

161. Fox, *supra* note 102, at 7-25 (emphasis added; footnote omitted).

162. An Anton Piller Order is granted *ex parte* to an applicant who is able to prove an extremely strong *prima facie* case, very serious potential or actual damage, and clear evidence that the defendant has in its possession incriminating documents or things, together with a real possibility that the defendant may destroy such material before any application *inter partes* can be made. The order takes its name from the English case in which it was first granted, *Anton Piller KG v. Manufacturing Process Ltd.*, [1976] 1 All E.R. 779 (C.A.).

163. *Culinar Foods Inc. v. Mario's Food Products Ltée* (1987), 12 C.P.R. (3d) 420 (F.C.T.D.).

registration for the identical mark which it had used in association with food for human consumption.[164] The Court held that the use of BONUS on canned dog food would likely have the effect of depreciating the value of the goodwill in the plaintiff's mark "for the reason that most members of the public are likely to have some repugnance to buying food for human consumption under the same brand name as that under which dog food is sold, particularly if, in both cases, it is canned meat."[165]

- An injunction was granted against a defendant who had purchased deteriorated paint from the plaintiff and resold it. The plaintiff had removed its trademarks from the paint before it was sold, but the defendant applied new labels to the products with marks identical to the plaintiff's marks, then resold the products.[166] As stated by Justice Deslauriers, "The consequences which the petitioners may suffer are impressive. If paint of poor quality is sold under the trade name which the petitioners are proud of, their reputation and their prestige will be destroyed without doubt."[167]

However, it is important to note that an action for depreciation of goodwill under Section 22 of the Trade-marks Act is *not* equivalent to an action for dilution of a famous mark in one very key respect. Under the FTDA, relief can be obtained in respect of dissimilar goods or services, whereas Canadian courts have restricted the interpretation of Section 22 to prohibit such an application and have imported a requirement akin to likelihood of confusion.[168] The judicial interpretation of this provision will be examined in greater detail below.

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164. *Bonus Foods Ltd. v. Essex Packers Ltd.* (1964), 43 C.P.R. 165.

165. *Id.* at 186.

166. *Dupont of Canada Ltd. v. Nomad Trading Co. Ltd.* (1968), 55 C.P.R. 97.

167. *Id.* at 100. In contrast to this line of cases is one in which an interlocutory injunction was refused notwithstanding circumstances which would seem to support a tarnishment-like claim; see *Aetna Life and Casualty Co. v. Captain Normac Riverboat Inn Ltd.* (1982), 62 C.P.R. (2d) 16 (Ont. H.C.), in which the court declined to enjoin the defendant, a disgruntled customer of the plaintiff, from displaying a sign on the defendant's partially submerged boat stating: "Captain John's dissatisfied customer of Aetna Life and Casualty Insurance Company."

168. Even the cases described in the paragraph above involved situations where identical marks were used in association with identical or similar wares.

2. Case Law Under Section 22

Clairol[169] was the first case to interpret Section 22. At issue was the use by the defendants of the plaintiff's well-known registered marks MISS CLAIROL and HAIR COLOR BATH. The defendants had placed these marks on hair color comparison charts printed on their packages and on advertising brochures. The court made the following general comment concerning the scope of application of Section 22:

> There would be, I think, no difficulty in concluding that the section 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 or in association with wares or services in respect of which it is not registered.[170]

The Court further noted that the test was not one of deception, but rather of depreciation of the value of the goodwill attaching to the trademark.[171]

Notwithstanding the above broadly-worded approach, the Court found that to succeed under Section 22, the plaintiffs needed to show that the defendants had used the mark within the meaning of Section 4 of the Trade-marks Act.[172] On this basis, the plaintiffs were successful in preventing the defendants from applying the marks at issue on product packaging but not on advertising brochures, as the latter did not constitute trademark use within the meaning of Section 4 of the Act.

This decision has been the subject of much criticism among various commentators,[173] but it has yet to be overturned.[174] Hence, a defendant's use of a mark must be a use within the meaning of Section 4 of the Trade-marks Act, thus insulating other uses

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169. *Clairol International Corp. v. Thomas Supply & Equipment Co.* (1968), 55 C.P.R. 176.

170. *Id.* at 195.

171. *Id.*

172. Section 4 addresses the circumstances of when a mark is deemed to be used: (1) A trademark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred. (2) A trademark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.

173. *See* Siebrasse, *supra* note 66.

174. The finding has, in fact, been upheld in subsequent decisions of the Federal Court of Appeal, *viz.*, *Syntex Inc. v. Apotex Inc.* (1985), 1 C.P.R. (3d) 145 (F.C.A.) and *Smith, Kline & French Canada Ltd. v. Apotex Inc.* (1984), 1 C.P.R. (3d) 256 (F.C.A.).

(including non-commercial uses) from susceptibility under Section 22.[175]

Subsequent cases have placed further restrictions on the ability of a plaintiff to recover under Section 22. For example, to be liable under Section 22, a defendant must use the plaintiff's mark as registered. Any variations thereto will restrict the cause of action to a traditional infringement suit, and depreciation of goodwill will not apply.[176]

There have been some hints that Canadian courts may be willing to broaden the interpretation of Section 22. Most notable among these cases is *Source Perrier (Société Anonyme) v. Fira-Less Marketing Co. Ltd.*,[177] which stands out as giving dilution-like status to Section 22. This case is also noteworthy for its reliance on American case law.

The plaintiff owned registrations for the trade mark PERRIER for sparkling water, as well as the distinctive shape of the green bottle in which the sparkling water was sold. It sought an interlocutory injunction to restrain the defendant from marketing bottled water in green bottles in association with the name PIERRE EH!, a satirical reference to then Prime Minister Pierre Trudeau. The defendant's product was marketed with a disclaimer indicating it had no connection with the plaintiff's product.

After finding a likelihood of confusion sufficient to support a *prima facie* case of infringement under Section 20 of the Act, the Court stated:

> Of more significance, however, is that the defendant is depreciating the value of the goodwill attached to Perrier's marks contrary to the provisions of s-s. 22(1) of the Act. The fact that the defendant intends to produce a spoof does not take away from the deception created in the minds of the customers. *The defendant is clearly attempting to cash in on the well-established reputation of Perrier, and the deception, in my view, tends to dilute the quality of its trade marks, to*

175. *Cie Générale des Établissements Michelin-Michelin & Cie v. C.A.W.-Canada* (1997), 71 C.P.R. (3d) 348 (F.C.T.D.). A similar finding was made in *Rôtisseries St-Hubert Ltée v. Le Syndicat des Travailleurs(euses) de la Rôtisserie St-Hubert de Drummondville* (*C.S.N.*) (1988), 17 C.P.R. (3d) 461 (Que. S.C.) at 468-69, notwithstanding statements from the Court concerning the broad applicability of Section 22 in the absence of a likelihood of confusion. The principle that use under Section 22 must be commercial use has also been relied upon to exempt marks used as part of certain domain names from liability in the case of a labour dispute; *British Columbia Automobile Assn. v. O.P.E.I.U., Local 378* (2001), 10 C.P.R. (4th) 423 (B.C.S.C.).

176. *S.C. Johnson & Son, Ltd. v. Marketing International Ltd.* (1978), 32 C.P.R. (2d) 15, 29-30 (F.C.T.D.), in which the use of BUGG OFF with a pre-treated insect repellent cloth was held not to depreciate the goodwill in the plaintiff's registered mark OFF! for personal insect repellent.

177. (1983), 70 C.P.R. (2d) 61 (F.C.T.D.).

> *impair its business integrity established over the years, and to cause injury to its goodwill.*[178]

The court reiterated that confusion is not the test to be applied under Section 22, and examined U.S. case law in which the defense of parody had been cited in claims for trademark dilution.[179] The language used by the Federal Court in this case strongly supports a dilution-like interpretation of Section 22.[180]

The Federal Court also granted an interlocutory injunction in a comparative advertising case involving competing optical businesses.[181] The defendant had commenced an advertising campaign featuring two posters placed side by side of the same model wearing the same eyeglasses. The first poster, in which the model was frowning, featured the caption: "Eye Masters, $208 Reg. Price." EYE MASTERS was a registered trademark of the plaintiff. The second poster, in which the model was smiling, featured the caption: "Shoppers Optical, $107 Reg. Price." In granting the injunction, Justice Reed commented:

> The advertising leaves a very negative impression. Its objective and probable effect is to create a lasting and negative impression in the mind of the public as to the lesser value obtained in shopping at Eye Masters. The focus of its attack is the goodwill of Eye Masters business.[182]

This finding supports a tarnishment-like interpretation of Section 22. In other cases, fear of loss of control and "genericization" of a mark have been held sufficient grounds to support the granting of an injunction under Section 22.[183]

Notwithstanding these examples of the willingness of some courts to apply Section 22 in a variety of situations to support

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178. *Id.* at 65 (footnote omitted; emphasis added).

179. The Court cited three cases: *Girl Scouts of the U.S.A. v. Personality Posters Mfg. Co., Inc.*, 163 U.S.P.Q. 505 (1969), in which an injunction was denied with respect to posters of a pregnant Girl Scout with the motto "Be Prepared"; *Dallas Cowboys Cheerleaders Inc. v. Pussycat Cinema Ltd.*, 201 U.S.P.Q. 740 (1979), in which an injunction was granted in respect of an adult film featuring actors in uniforms resembling those of the plaintiff; and *Coca-Cola Co. v. Gemini Rising, Inc.*, 175 U.S.P.Q. 56 (1972), in which an injunction was granted in respect of a poster featuring the plaintiff's product with the words "Enjoy Cocaine."

180. In a similar case decided in the Ontario Court, an injunction was granted against the defendant's use of ROTS on sweatshirts in a style that essentially copied the plaintiff's well-known ROOTS trademark. The defendant was found to be cashing in on the plaintiff's goodwill associated with its trademark; *Natural Footwear Ltd. v. Schwarz* (1987), 12 C.P.R. (3d) 84 (Ont. H.C.J.).

181. *Eye Masters Ltd. v. Ross King Holdings Ltd.* (1992), 44 C.P.R. (3d) 459 (F.C.T.D.).

182. *Id.* at 467.

183. *See, e.g.*, *Tele-Direct (Publications) Inc. v. American Business Information Inc.* (1994), 58 C.P.R. (3d) 10 (F.C.T.D.) and *826129 Ontario Inc. v. Sony Kabushiki Kaisha* (1995), 65 C.P.R. (3d) 171 (F.C.T.D.).

broad-based relief, the general trend has been one of judicial restraint. This is particularly true with respect to the requirement of a likelihood of confusion.

Likelihood of confusion is not an express requirement under Section 22, as has been acknowledged in at least one case.[184] However, the Federal Court has also expressly refused to permit a plaintiff to rely on Section 22 to allow it to gain protection for its mark in unrelated fields of activity. In *Canadian Council of Blue Cross Plans v. Blue Cross Beauty Products Inc.*,[185] the plaintiffs sued for infringement of the trademark BLUE CROSS & Design, registered for use in association with hospital-related services. The defendant used the words BLUE CROSS with a design similar to the plaintiffs' design on wares described by the Court as " 'low end' cosmetic products."[186] The plaintiffs argued the defendant's wares were being sold in establishments that also honored Blue Cross health care plans sold by the plaintiffs. In dismissing the action, including the claim based on Section 22, the Court stated:

> Assuming the defendants have in fact "used" the plaintiffs' trade mark, the blue cross symbol, I again am of the opinion that that use would not likely have the effect of depreciating the value of whatever goodwill attaches to that trade mark. The plaintiffs are not in business to make profits. . . .
>
> In this case the contest is between services and wares in unrelated fields of business activity. There is no evidence of actual depreciation of goodwill nor, in my mind, any evidence from which an inference of likelihood of depreciation can be drawn.[187]

In a case involving the famous mark VISA, the Quebec Superior Court did prohibit a car dealership from operating under the name VISA AUTOS on the basis that such use was contrary to Section 22.[188] Although this finding seems to support a broader antidilution interpretation of Section 22, the following passage

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184. In *Sony*, McKeown stated, "Confusion is not needed to prove depreciation of a trade mark. Obliteration of the distinctiveness of a trade mark necessarily depreciates whatever goodwill is attached to the mark. The whole purpose of the trade mark is to preserve the goodwill of the plaintiff's service." *Id.* at 183.

185. (1972), 3 C.P.R. (2d) 223 (F.C.T.D.).

186. *Id.* at 226.

187. *Id.* at 232-33. This passage was cited by the Federal Court Trial Division in *Veuve Clicquot*, 28 C.P.R. (4th) at 540-41. The Court in *Veuve Clicquot* stated, "Although confusion is not the test laid down in s. 22, the author considers that it is still necessary for there to be an association between the two marks. In other words, a consumer has to be able to make a connection between the parties in order for there to be depreciation of the goodwill attaching to the trade-mark." *Id.* at 540.

188. *Visa International Service Assn. v. Auto Visa Inc.* (1991), 41 C.P.R. (3d) 77 (Que. S.C.).

reveals the evidence showed consumers would likely associate the defendant's business with the plaintiff's mark:

> Even if the plaintiff's evidence does not show loss resulting from this illegal use, the court finds that the use affected the distinctive nature of the trade mark, and that it is likely to result in an erosion and a dilution of the prestige, strength and integrity of the trade mark. The plaintiff has proven by means of the survey that the defendant's corporate name leads to the inference of a certain association with its own trade mark. This evidence is sufficient to demonstrate that the defendant's use is likely to depreciate the value of the goodwill.[189]

There have been other cases in which the courts have expressly imported a requirement of a likelihood of confusion, or at least made reference to the existence of such likelihood, in spite of the fact that this is not stipulated in Section 22. This was the finding in *Jercity Franchises Ltd. v. Foord*,[190] in which the plaintiff applied for an interlocutory injunction based on its registered marks incorporating the words JERSEY CITY, which it had used for sports apparel and stores selling such apparel. The defendant was using JERSEY JOE'S for stores selling casual clothing. The Court found there was a substantial overlap between the stores of the parties and held that, due to such overlap, the plaintiff had succeeded in establishing a strong *prima facie* case with respect to depreciation of goodwill under Section 22. The Court expressly found this to be the case as a result of the likelihood of confusion:

> The potential confusion is likely to have the effect of depreciating the value of the plaintiff's goodwill and its registered trade marks, in respect of which the plaintiff spent substantial amounts on advertising prior to the defendant opening his business.[191]

In one recent case,[192] the Court reviewed prior case law under Section 22, including the *Jercity* case, and held that two conditions must be established before relief under Section 22 will be granted:

1. The public must make a connection between the marks of the two parties, and

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189. *Id.* at 90.

190. (1991), 34 C.P.R. (3d) 289 (F.C.T.D.).

191. *Id.* at 295. See also *Top Notch Construction Ltd. v. Top-Notch Oilfield Services Ltd.* (2001), 13 C.P.R. (4th) 515 (F.C.T.D.) at 538 in which relief under Section 22 was refused on the basis that there was very little overlap in the businesses of the parties, and that the defendant had not attempted to have customers use its services rather than the services of the plaintiff.

192. *ITV Technologies, Inc. v. WIC Television Ltd.*, [2003] F.C. No. 1335 (T.D.) (QL).

2. The use by the defendant of the mark in issue must have the probable effect of creating a negative impression in the mind of the public such that it will impair the goodwill attached to the plaintiff's mark.[193]

In short, the establishment of some type of connection (as *per* the *Jercity* case) is now a judicially-pronounced prerequisite to a finding of depreciation of goodwill, notwithstanding earlier cases which held a likelihood of confusion is not necessary.

A review of the foregoing case law reveals the following principles with respect to Section 22:

1. The mark in issue must be used within the meaning of Section 4 of the Trade-marks Act;
2. Non-commercial uses are exempted;
3. Spoofs or parodies on commercial products are *not* exempted; and
4. The use of the mark in issue must cause members of the public to make some type of connection between the marks of the parties.

The applicability of Section 22 has clearly received a judicial interpretation that has somewhat restricted its scope.

E. Section 5—Making Known

There is another statutory provision in the Canadian Trade-marks Act that deserves consideration in reviewing the scope of protection accorded to famous and well-known marks in this country. Section 5 deals with situations in which a mark is deemed to be made known. This provision requires use of the mark in a Union country (*i.e.*, a country which is a signatory to the Paris Convention), along with at least one of the following:

- Distribution of wares in association with the mark in Canada such that the mark has become well-known in Canada by reason of the distribution;
- Advertising of the wares or services in association with the mark in any printed publication circulated in Canada in the ordinary course of commerce among potential dealers in or users of the wares or services such that the mark has become well-known in Canada by reason of the advertising; or
- Advertising of the wares or services in association with the mark in radio broadcasts ordinarily received in Canada by potential dealers in or users of the wares or services such

193. *Id.* at para. 196.

> that the mark has become well-known in Canada by reason of the advertising.

This provision, enacted to meet Canada's obligations under Article 6*bis* of the Paris Convention,[194] was designed to enable a foreign trademark owner to obtain a Canadian registration and put the foreign owner on the same footing as a local trader. The caveat is that the foreign owner's mark must be made known in Canada by one of the methods set out in Section 5.[195] Use and advertising of a mark in a foreign country cannot be used as evidence of making known in Canada, even if many Canadians have been exposed to such use and advertising in the foreign country. This means that Section 5 cannot be relied upon in these circumstances, whereas such circumstances could support an action in passing off.[196]

The case law has held the advertising under consideration must have a significant impact on the Canadian market.[197] Courts will also find a mark has become well-known in Canada once consumers in a substantial area of the country know the mark.[198] The degree of notoriety required has been compared to that in the marks COCA-COLA, ESSO, CHEVROLET and FRIGIDAIRE,[199] suggesting a very high degree of renown.[200] The setting of such a high standard and the restriction of the ways in which the mark

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194. Richard, *supra* note 145, at 5-2; *Valle's Steak House v. Tessier* (1981), 49 C.P.R. (2d) 218, 223 (F.C.T.D.).

195. *Enterprise Rent-A-Car Co. v. Singer* (1996), 66 C.P.R. (3d) 453, 479-80 (F.C.T.D.), *aff'd*, (1998), 79 C.P.R. (3d) 45 (F.C.A.).

196. Bereskin in Mostert, *supra* note 1, 4-107–4-108.

197. *See, e.g.*, *Valle's*, 49 C.P.R. (2d) at 218 and *Motel 6 Inc. v. No. 6 Motel Ltd.* (1981), 56 C.P.R. (2d) 44 (F.C.T.D.).

198. *Robert C. Wian Enterprises Inc. v. Mady* (1965), 46 C.P.R. 147 (Ex. Ct.); *Marineland Inc. v. Marine Wonderland & Animal Park Ltd.* (1974), 16 C.P.R. (2d) 97 (F.C.T.D.); *Valle's*. 49 C.P.R. (2d) at 218. This standard was set in *Wian*, where Justice Cattanach held that "A thing may be regarded as known in Canada if it is known only in some part of Canada but, in my view, it is not 'well known' in Canada unless knowledge of it pervades the country to a substantial extent." *Wian*, 46 C.P.R. at 169. It should be noted, however, that in *Wian*, the plaintiff's evidence was restricted to showing only that the marks in question were well-known in the town of Windsor, Ontario. In *Valle's*, evidence that the mark was well-known in the eastern provinces of Canada, and especially Quebec, was sufficient to support a finding that the mark was well-known in a substantial part of Canada. This standard is similar to that adopted by the European Court of Justice in *General Motors Corporation v. Yplon SA*, [1999] All E.R. (E.C.) 865, in which the meaning of "reputation" in Article 5(2) of the Directive means that the mark has a reputation in a substantial part of the Member State rather than throughout the territory.

199. *Wian*, 46 C.P.R. at 169.

200. The Trade-marks Opposition Board has acknowledged that the Trade-marks Act does not set a specific standard for the degree of notoriety that a mark must acquire before it is considered to be well-known, but has stated that, "Presumably, the threshold is at least a substantial reputation if not higher." *Reed Elsevier Properties Inc. v. Plesman Publications Ltd.* (1997), 77 C.P.R. (3d) 370 at 378.

can be deemed to be made known means that this provision is currently of little practical application to the majority of marks.[201]

VI. DOES CANADA MEET ITS INTERNATIONAL OBLIGATIONS FOR THE PROTECTION OF FAMOUS AND WELL-KNOWN MARKS?

The preceding section analyzed specific provisions of the Trade-marks Act, in particular, Sections 5, 7(b) and 22, and the case law interpreting these provisions. It is now appropriate to examine these statutory provisions and the case law thereunder in light of the international treaties reviewed in Part II, *supra*, to determine whether Canada is adhering to its international obligations.[202]

From this consideration, several principles emerge.[203]

The owner of a mark in a foreign jurisdiction can prevent registration of that mark in Canada if the owner of the mark can prove the mark has become well known in Canada by virtue of any of the mechanisms set out in Section 5. The prohibition against registration arises from Section 16 of the Act, which prevents an applicant from obtaining a registration if the mark may be confused with a mark that has been previously made known in Canada by another party. Confusion is determined by examining the factors listed in Section 6. The combination of Sections 5, 6 and 16 appears to satisfy the requirements of Article 6*bis* of the Paris Convention, which prohibits registration and use of a mark that is confusing with a well-known mark.

By a similar analysis, these provisions also appear to satisfy Article 16(2) of the TRIPS Agreement, which extended Article 6*bis* of the Paris Convention to apply to services as well as wares.

The application of the doctrine of passing off to protect foreign-owned marks with a strong reputation in Canada (as in *Orkin* and other cases) also accords with Canada's obligations under Article 6*bis* of the Paris Convention and Article 16(2) of the TRIPS Agreement. Such reputation-without-use cases are also quite forward-looking in the sense that they have extended protection to foreign-owned marks without those marks being registered (or used) in Canada, thus meeting one of the requirements of Article 2 of the WIPO Recommendation.

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201. Bereskin in Mostert, *supra* note 1, at 4-107, where Section 5 is referred to as "the last resort of a foreign plaintiff."

202. For ease of reference, see Appendix A, which summarizes international treaty provisions concerning well-known marks.

203. *See also* Bereskin in Mostert, *supra* note 1.

Canada has also satisfied its obligations pursuant to Article 16(3) of the TRIPS Agreement, which extends protection to dissimilar wares and services where use of the mark would indicate a connection between the goods or services of the parties and where the interests of the owner of the well-known mark would likely be damaged. This conclusion is reached by an analysis of cases involving dissimilar wares or services in which relief was granted to the owner of the well-known mark once a connection between the wares or services of the parties was established; see, for example, the Cutty Sark case[204] (whisky, spirits and wine versus pipe tobacco), the Sunlife case[205] (sports and cultural events versus fruit juices) and the Visa case[206] (credit card services versus automobile dealership). There are doubtless those who would argue the Federal Court of Appeal has since regressed and narrowed the protection accorded to well-known marks by virtue of its finding of a lack of likelihood of confusion in *Pink Panther*[207] and *Lexus*.[208] In the author's view, however, these decisions are not inconsistent with the principles enunciated in Article 16(3) of the TRIPS Agreement. A careful review of the facts in both cases reveals that the trademark owners were unable to show the necessary connection between their wares and the wares of the other party. The relevant principle was stated by Justice Linden in *Pink Panther* as follows: "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 mark is, it cannot be used to create a connection that does not exist. . . . 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 trade-mark holder. Only in exceptional circumstances, if ever, should this be the case."[209] Justice Linden considered the argument made by United Artists that a logical connection existed between entertainment services and beauty products, but in the absence of evidence to support this point, he

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204. *Berry Bros. & Rudd Ltd. v. Planta Tabak-Manufactur* (1981), 53 C.P.R. (2d) 130 (F.C.T.D.).

205. *Sun Life Assurance Co. v. Sunlife Juice Ltd.* (1989), 22 C.P.R. (3d) 244 (Ont. H.C.).

206. *Visa International Service Assn. v. Auto Visa Inc.* (1991), 41 C.P.R. (3d) 77 (Que. S.C.).

207. *United Artists Corp. v. Pink Panther Beauty Corp.* (1998), 80 C.P.R. (3d) 247.

208. *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.* (2000), 9 C.P.A. (4th) 297 (F.C.A.).

209. *Pink Panther*, 80 C.P.R. (3d) at 267, 268.

noted that this submission was "hung from a very thin thread indeed."[210]

The WIPO Recommendation does not have the force of an international treaty, yet is considered to be persuasive. It is thus worth examining whether Canada meets these stipulations as well. Article 4 of the WIPO Recommendation sets out various alternative criteria for determining when marks are in conflict. The first criterion is the same "connection" test set out in Article 16(3) of the TRIPS Agreement, which applies under the WIPO Recommendation regardless of the goods/services for which a mark is used. On the basis of the reasoning set out above, Canada also complies with this provision of the WIPO Recommendation.[211] A second, alternative basis for finding conflict with a well-known mark occurs when the use of a mark by another party would likely impair or dilute the distinctive character of the well-known mark. The third basis provided for by the WIPO Recommendation is where unfair advantage is taken of the distinctive character of the mark. These later two alternative bases suggest dilution principles. As discussed above, Canadian law does not provide for the application of such principles with respect to famous and well-known trademarks. Since dilution is set out as an alternative, however, there is at present no need for Canada to incorporate dilution principles into its trademark law.[212]

VII. RECOMMENDATIONS FOR CANADIAN LAW REFORM

Undoubtedly, Canadian law is at times strongly influenced by developments in U.S. and U.K. law. As discussed above, the United States has embraced dilution theory, incorporating it into statutory form. The United Kingdom has taken steps to harmonize its trademark law with that of the European Union. The new U.K. statute arguably provides room for dilution principles to be applied, although to date U.K. courts have been reluctant to take such steps to do so. Finally, when international treaties are

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210. *Id.* at 269. Similarly in *Lexus*, 9 C.P.R. (4th) at 301, Justice Linden found that the Trial Judge had given insufficient weight to the complete lack of overlap in the channels of trade of the parties.

211. This "connection" test must refer to a connection in the context of likelihood of confusion, rather than a connection in the context of blurring or tarnishment, since dilution and impairment are expressly referred to as a second alternative basis for finding conflict with a well-known mark.

212. This is in contrast with the position taken by U.S. legislators, who were of the view that the TRIPS Agreement placed the United States under an obligation to enact a dilution statute; *see* Oswald, *supra* note 43, at 270.

examined, it appears that Canada is in compliance with all of its current obligations.

What if the current international tension between confusion versus dilution is ultimately resolved in favor of dilution? What will need to be done to ensure that Canada then complies with international standards? The following recommendations can be made.

Section 5 of the *Trade-marks Act* could be amended in three respects: (a) It could broaden the bases on which a mark is deemed to be made well known in Canada, (b) it could clarify that a foreign mark needs to be well known in a substantial part of Canada rather than across the whole country; and (c) it could stipulate that use in a Union (*i.e.*, Paris Convention) country need not be use by the trademark owner itself, but can also be a use which inures to the benefit of the trademark owner under the law of the country of origin.[213]

Specific criteria could be introduced concerning when a mark should be considered famous or well known. This could be done by amending Section 5 or by introducing a new provision in conjunction with amendments to Section 22.

Section 22 could be amended to remove the judge-made requirement that "use" be in accordance with Section 4. Such amendment should expressly state that it applies to famous or well-known marks and should also explicitly state that a likelihood of confusion is not required. Further, the requirement that it apply only to registered marks should be removed.

Consideration should also be given to amending Section 22 to make it available as a ground of opposition, rather than limiting its application to infringement proceedings.[214] A currently accepted ground of opposition is based on paragraph 38(2)(a), which in turn refers to Subsection 30(i) of the Trade-marks Act. Subsection 30(i) stipulates that an applicant must state that it is entitled to use the mark in Canada in association with the wares or services described in the application. This provides a vehicle for citing Section 22 as a ground of opposition on the basis that the use would depreciate the goodwill in the mark.

It is, of course, debatable as to whether action against dilution is even desirable as a way to protect famous marks.[215] In Canada,

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213. These recommendations were previously made by Daniel Bereskin in "The Protection of Famous Foreign Trade Marks in Canada" at 64-65 (unpublished). Corneau and Linehan, *supra* note 1, also proposed that Section 5 be amended to encompass criteria that would have to be met by owners of famous marks in order for them to benefit from expanded protection; *see* Corneau & Linehan, *supra* note 1, at 536.

214. It should be noted that dilution can be cited as a basis for opposition proceedings before the U.S. Trademark Trial Appeal Board.

215. As stated by Siebrasse, "[Dilution] theory is radical in claiming that trade-mark law protects the product itself, a task that has traditionally been reserved to copyright and

as in the United Kingdom and the United States, the traditional function of a trademark is "to give an indication to the purchaser or possible purchaser as to the source from which the goods or services he purchased are derived, or who is responsible for placing them on the market, or making them available."[216] To expressly extend this function to allow a mark to be protected as property *per se* is an issue that will no doubt occupy Canadian scholars and legislators in the event that our country sees fit to attempt to implement dilution laws.

VIII. CONCLUSION

In 1927, Frank Schechter displayed remarkable prescience when he stated:

> [T]he fact that through the existence of the telephone, the automobile, the motor bus, the high-speed interurban trolley, and the railroad, the consumer now projects his shopping far from home and comes to rely more and more upon trademarks and tradenames as symbols of quality and guaranties of satisfaction.[217]

The current state of the law in Canada with respect to famous marks was succinctly stated by Justice Linden in *Lexus*:

> Famousness alone does not protect a trade-mark absolutely. It is merely a factor that must be weighed in connection with all the rest of the factors.[218]

Internationally, the trend appears to be moving towards making dilution-style arguments more readily available to owners of famous and well-known marks, such that the wares and services of the contending parties need not necessarily be similar. A potential model for a dilution statute already exists in the United States. Although not without problems, the TRIPS Agreement has opened the door to such expanded protection of well-known marks, and the WIPO Recommendation, if adopted, would increase the scope of protection even further.

It remains to be seen what will eventually develop in this increasingly important area of the law.

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patent. Indeed, if we truly accept the argument that the trade-mark *is* the product, then the trade-mark should be unregistrable on the grounds of functionality." [Emphasis in original. Citations omitted.] Siebrasse, *supra* note 66, at 293.

216. Fox, *supra* note 102, at 3-12.

217. Schechter, *supra* note 33, at 824.

218. *Lexus*, 9 C.P.R. (4th) at 301.

APPENDIX A

Summary of Provisions Concerning Well-Known Marks in the Paris Convention, Trips Agreement and WIPO Joint Recommendation

	Scheme	Definition of Well Known	Wares/Services and Confusion	Requirement of Use or Registration of Well-Known Mark
Paris (Article 6*bis*)	Prohibits registration and use of mark that is confusing with well-known mark	No definition of well known	• Applies to similar wares where use of the mark is liable to create confusion • No provision for similar services • No provision for dissimilar wares or services	No provision
TRIPS (Article 16)	Same as above (expressly extends Paris Article 6*bis* to include services as well as wares)	Look at knowledge of mark in relevant sector of the public	• Applies to similar wares and services where use of the mark is liable to create confusion • Applies to dissimilar wares and services where use of the mark would indicate a connection between the goods or services of the parties, and where interests of owner of well-known mark would likely be damaged	Well-known mark must be registered in the country in which protection is sought only where such protection is sought against *dissimilar* wares/services*

* However, as stated above, the TRIPS Agreement provides for minimum standards of protection only. A country would thus be at liberty to have this provision apply to unregistered marks as well as registered marks.

	Scheme	Definition of Well Known	Wares/Services and Confusion	Requirement of Use or Registration of Well-Known Mark
WIPO (Articles 2 and 4)	Recommendation to accelerate international harmonization	List of non-exhaustive factors to determine whether mark is well known, and what is the relevant sector of the public	Applies to similar and dissimilar wares and services where use of the mark (1) would indicate a connection between the goods or services of the parties, and where interests of owner of well-known mark would likely be damaged or (2) would likely impair or dilute distinctive character of mark or (3) would take unfair advantage of distinctive character of mark	No requirement for use, registration or application for registration in order to be well known in the country in which protection is sought