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VEUVE CLICQUOT PONSARDIN v. BOUTIQUES CLIQUOT LTÉE: CELEBRITY IS NOT EVERYTHING

By Alexandre Ajami

I. INTRODUCTION

The Supreme Court of Canada, the country’s highest court, rendered two important decisions in trade-mark cases on June 2, 2006, in Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée,1 and in Mattel, Inc. v. 3894207 Canada Inc.2 These two cases are the first decisions from the Supreme Court of Canada in more than 25 years dealing with trade-mark infringement, as defined in Section 20 of the Trade-marks Act.3 The decision in Veuve Clicquot Ponsardin is the first one where the Supreme Court of Canada deals with Section 22 of the Trade-marks Act, since its introduction in 1953, prohibiting the use of a trade-mark in a manner that is likely to have the effect of depreciating the value of the goodwill attached to a mark. Regarding infringement, the two decisions must be read concurrently. The Supreme Court affirmed Canadian jurisprudence regarding famous marks and held that the celebrity of a mark is only one factor among many others to consider in order to determine the likelihood of confusion, including the wares and services of each party. Regarding the decision in Veuve Clicquot Ponsardin, which is arguably the most thorough on the question of Section 22 of the Trade-marks Act, the Court has clarified the interpretation of this seldom used remedy and has set forth a new four-part test thereto.

II. BACKGROUND

Besides an action based on passing off or its statutory codification under Section 7(b) of the *Trade-marks Act*, Canadian owners of registered marks are afforded three specific recourses, namely Section 19 of the *Trade-marks Act*, giving an owner the exclusive right to use the registered mark throughout Canada in respect of the wares or services covered by the registration, Section 20, dealing with the infringement of a registered trade-mark, and Section 22, dealing with depreciation of goodwill.

Section 20 sets forth that the right of the owner of a registered mark to its exclusive use is deemed to be infringed by a person not entitled to its use who sells, distributes or advertises wares or services in association with a confusing trade-mark or trade-name. Confusion is defined at Section 6(2) as follows:

> 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.

Section 6(5) states that in order to determine whether a trade-mark is confusing, the court must have regard “to all the surrounding circumstances,” including the ones specifically provided, namely:

(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.

Section 22 states that “[n]o 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.”

Regarding the infringement issue, the Federal Court of Appeal rendered two major decisions concerning “famous” marks in *Pink Panther Beauty Corp. v. United Artists Corp.*[^4] and in *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.*[^5] In the *Pink Panther* case, the Federal Court of Appeal held in 1998 that the

fame of a mark is one factor among others in analyzing the likelihood of confusion. However, as stated by Justice Linden for the majority in a split decision, “[n]o matter how famous a mark is, it cannot be used to create a connection [between the parties, trade and services] that does not exist”6 and “[. . .] I do not see how the fame of the mark acts as a marketing trump card such that the other factors are thereby obliterated.”7 Hence, it is not because the plaintiff’s mark is famous that one should automatically assume that there is confusion.8 Moreover, according to the majority, similarity in wares and services cannot be a *sine qua non* factor in the determination of confusion; but it is however a large factor to assess the likelihood of confusion and of significance, though it may not be a controlling factor.9

The Federal Court of Appeal reiterated its position two years later in *Lexus*, where Justice Linden, again, delivered the reasons, but for a unanimous bench this time. He had a chance to clarify the position of the court on famous marks:

> While the notoriety of a mark may well be a significant factor to consider, as is the length of time it has been used, factors in paragraphs 6(5)(a) and (b), it is not controlling. 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.10

Among these factors, there is the type of goods and services, which may be a “key factor” that must be given considerable weight where there is a striking difference between them, even in the case of a famous mark.11 It is interesting to note that a motion for leave to appeal of this decision was dismissed by the Supreme Court of Canada.12

**III. THE FACTS AND PROCEEDINGS**

Veuve Clicquot Ponsardin, Maison fondée en 1772, has used the trade-mark VEUVE CLICQUOT in Canada since 1899 as well as variants containing the word CLICQUOT always preceded by

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7. *Id.* at para. 52.
8. *Id.*
11. *Id.* at para. 7.
the word VEUVE, in association with champagne. These marks are registered in Canada in connection with champagne and are used in many other countries around the world. The mark VEUVE CLICQUOT has also appeared on promotional items, but no evidence was filed that sales of such items occurred in Canada. These promotional items include fashion wares such as jackets, scarves, silk scarves and dresses for women, ties, bow ties and vests for men.

The respondents had operated stores under the trade-mark CLIQUOT since 1995 at six locations in the province of Quebec and in Ottawa, retailing women’s clothing in the mid-price range targeted at working women. One of the respondents is the owner of registered marks for CLIQUOT and CLIQUOT “UN MONDE À PART” (which may be translated as “a world of its own”) since August 1, 1997, in association with the operation of retail clothing stores in respect of ladies wear and accessories. The mark CLIQUOT appears on the exterior sign at each of the stores, on bags and wrapping, on business cards and invoices, but not on the clothing itself.

Veuve Clicquot Ponsardin instituted the proceedings against the respondents on November 5, 1998, based on Sections 19, 20 and 22 of the Trade-marks Act, as well as on passing off as codified at Section 7(b). It finally requested that the registered marks CLIQUOT and CLIQUOT “UN MONDE À PART” be expunged from the register. However, the emphasis was put on the alleged infringement.

Veuve Clicquot Ponsardin tried to convince the Federal Court that, among other things:

(a) the trade-mark VEUVE CLICQUOT is rooted in the luxury industry, and in accordance with the “brand extension” theory, this mark should be given wider protection in areas of activity other than champagne;

(b) Veuve Clicquot Ponsardin targeted the female population, had several times sponsored an international competition of young fashion designers held in Montreal and other prestigious events attended by women, and had distributed many fashion items such that there was a clear connection between its activities and those of the defendants.

These arguments by Veuve Clicquot Ponsardin were rejected by the trial judge, Justice Tremblay-Lamer and the action was dismissed.13 Her findings of facts may be summarized as follows:

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(a) the respondents’ mark CLIQUOT was inspired by an advertisement of VEUVE CLICQUOT seen by the respondents’ buyer;
(b) the distinctive element of the appellant’s trade-marks is the word CLICQUOT;
(c) the appellant’s promotional wares cover a nondescript group of items only some of which could be regarded as being for women, and which were only offered for promotional purposes;
(d) the evidence did not establish that the appellant developed any strategy by which its mark was the subject of an extension into the fashion field and the appellant’s evidence has not established any connection with the fashion world;
(e) women constitute only one of the markets targeted by the appellant;
(f) the appellant has not changed its use of the trade-mark VEUVE CLICQUOT since its origin so as to extend it to goods other than champagne;
(g) VEUVE CLIQUOT is a well known and unique mark.14

But her most important finding was her conclusion to the effect that “it is not likely that a consumer would think the [appellant] was affiliated with the [respondents] or that the [appellant] had granted a third party a licence to allow it to use the distinctive part of its mark in association with a women’s clothing store.”15 And although she found that the mark VEUVE CLICQUOT is well known, unique and deserves extensive protection, in accordance with Pink Panther and Lexus, it is not conclusive because:

The fact of being well known does not by itself provide absolute protection for a trade-mark. It is one factor which must be assessed together with all the others.

I feel that the key factor is the significant difference between the [appellant]’s wares and those of the [respondents]. The [appellant] is well known for its champagnes, while the [respondents] operate women’s clothing stores. The [appellant]’s activities and those of the [respondents] are so different that there is no risk of confusion in consumers’ minds.16

14. Id. at paras. 42-51 and 75.
15. Id. at para. 76.
16. Id. at para. 75-76.
The appeal was dismissed by the Federal Court of Appeal in a very short, unanimous decision. On the infringement issue, the court found that Veuve Clicquot Ponsardin failed to show that the evidence did not support the conclusion arrived at by the trial judge, and that she was entitled to regard the considerable difference between each party’s wares and services as a key factor. On Section 22, the court found that it was not established at trial that the use of the mark CLIQUOT was likely to reduce the value attached to the mark VEUVE CLICQUOT.

The motion for leave to appeal to the Supreme Court of Canada by Veuve Clicquot Ponsardin was essentially based on the fact that the Pink Panther and the Lexus ratio were erroneous and that these decisions were inconsistent with the Trade-marks Act and the former jurisprudence, in particular because the scope of protection for famous marks, was not wide enough. The Supreme Court of Canada had to review the correctness of these two decisions.

IV. THE DECISION REGARDING INFRINGEMENT

A. Registration as a Valid Defence

Before considering the issue of confusion, the respondents first contended that the fact that the impugned trade-marks were registered was an absolute defence to any action in infringement. This argument was based on a decision rendered by the Ontario Court of Appeal. This decision was itself based on the wording of Section 19 of the Trade-marks Act that stipulates that the registered owner of a trade-mark has the exclusive right to use it throughout Canada in association with the registered wares and services. This decision was later confirmed by the Federal Court of Canada.

The Supreme Court does not seem to agree with these decisions. It first recognizes that under Section 19, a registered mark is presumably valid and entitles its owner to use it as registered. However, the registration of the respondents’ mark is not a complete defence to Veuve Clicquot Ponsardin’s claim.

18. Id. at para. 6.
19. Id. at para. 8.
20. Id. at para. 10.
because the appellant asked that the marks be expunged. Nevertheless, were the marks to be expunged, “no doubt the respondents could argue that they ought not to be liable to pay compensation attributable to the period during which their own registrations were in effect.” 24 Unfortunately, the Supreme Court’s reasons on that point are laconic and we are of the opinion that this question is still open because the Supreme Court does not directly address the two aforementioned decisions.

**B. The Purpose of a Trade-Mark**

The Supreme Court plainly states that the case is all about famous trade-marks, 25 but it is difficult to understand the decision in *Veuve Clicquot* alone without considering the decision in *Mattel*. In analyzing the issue of confusion, the Court often referred to the *Mattel* case, and the *Veuve Clicquot* decision is essentially a review of the evidence in the latter case. 26 We will then have to comment on parts of the *Mattel* decision.

In *Mattel*, Justice Binnie, delivering the unanimous reasons for the Court, 27 first reminds us that the legal purpose of a trade-mark is to distinguish the wares and services of its legitimate owner from the wares and services of others. 28 Thus, it is a guarantee of origin and, “in that sense, consumer protection legislation.” 29 Moreover, according to the Court, trade-marks are to be considered as an anomaly in intellectual property law because they do not reward creativity, but rather serve a public interest in informing consumers as symbols representing the source and quality of a good or service. 30 There is consequently a balance between free competition and fair competition to be maintained:

Fairness, of course, requires consideration of the interest of the public and other merchants and the benefits of open competition as well as the interest of the trade-mark owner in protecting its investment in the mark. Care must be taken not to create a zone of exclusivity and protection that overshoots the purpose of trade-mark law. 31

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24. *Id.* at para. 16
25. *Id.* at para. 14.
26. *Id.* at paras. 18, 21, 27.
27. Justice Lebel filed a one paragraph concurring opinion at para. 93. The *Veuve Clicquot* decision is unanimous.
28. Definition of “trade-mark” at Section 2 of the *Trade-marks Act*.
30. *Id.* at para. 21; *Veuve Clicquot*, 2006 SCC 23, at para. 18.
31. *Id.* at para. 22.
This preliminary theoretical comment is not without importance, since it provides important guidance on the limit of the protection conferred upon a trade-mark, even if it is recognized by the Court as a proprietary right.\textsuperscript{32} Such protection must be limited to the protection of consumers as to the source of products and services they purchase. Under these circumstances, a famous mark will not enjoy any protection beyond this consideration.

\textbf{C. The Test of Confusion}

The Supreme Court states in \textit{Veuve Clicquot} that the issue before the trial judge was: “whether use by the respondents of the trade-mark \textit{Cliquot} for their women’s clothing stores could lead a purchaser having an imperfect recollection of the appellant’s mark to confuse the one mark with the other.”\textsuperscript{33}

The test to be applied is “a matter of first impression in the mind of a casual consumer somewhat in a hurry who sees the name \textit{Cliquot} on the respondents’ storefront or invoice, at a time when he or she has no more than an imperfect recollection of the \textit{VEUVE CLICQUOT} trade-marks.”\textsuperscript{34} There is nothing new in the test posed by the Court, which has reviewed the case law on this question in \textit{Mattel}. It is the test of the mythical consumer to which we owe a certain amount of credit.\textsuperscript{35}

The Supreme Court reminds us that the factors to consider in determining confusion include, but are not limited to, those enumerated in Section 6(5), which are not exhaustive, and that a court is entitled, depending on the circumstances, to give a different weight to each factor. A factor may even be given no relevance depending on the context.\textsuperscript{36} The Court so affirms Canadian jurisprudence on that question.\textsuperscript{37} Among the factors not enumerated in the \textit{Trade-marks Act}, the Supreme Court states that evidence of actual confusion is relevant but not necessary,\textsuperscript{38} and that the fame of a mark is of great importance.\textsuperscript{39} In conclusion, a court must weigh “all the surrounding circumstances.”\textsuperscript{40}

\begin{itemize}
\item \textsuperscript{32} \textit{Id}. at para. 90.
\item \textsuperscript{33} \textit{Veuve Clicquot}, 2006 SCC 23, at para. 4; \textit{see also} para. 26.
\item \textsuperscript{34} \textit{Id}. at para. 20.
\item \textsuperscript{35} \textit{Mattel}, 2006 SCC 22, at para. 57.
\item \textsuperscript{36} \textit{Veuve Clicquot}, 2006 SCC 23, at paras. 21 and 27.
\item \textsuperscript{38} \textit{Mattel}, 2006 SCC 22, at para. 55.
\item \textsuperscript{39} \textit{Veuve Clicquot}, 2006 SCC 23, at para. 27.
\item \textsuperscript{40} \textit{Trade-marks Act}, s. 6(5).
\end{itemize}
D. Celebrity versus Connection in Products and Services

The Supreme Court agrees with the appellant that the finding that a mark is “famous” is of importance “because fame presupposes that the mark transcends at least to some extent the wares with which it is normally associated.”41 However, the Court qualifies this statement in its further analysis:

Famous marks do not come in one size. Some trade-marks may be well known but have very specific associations (Buckley’s cough mixture is advertised as effective despite its terrible taste, not, one would think, a brand image desirable for restaurants). Other famous marks, like Walt Disney, may indeed have largely transcended product line differences.42

A product or service-specific famous mark may nevertheless have an aura that transcends its specific association43 because fame is “capable of carrying the mark across product lines where lesser marks would be circumscribed to their traditional wares or services.”44 However, it is not easy to prove, and the onus remains on the owner of the famous mark to put forward enough evidence about the “area of influence” of the mark: even if not specifically enunciated by the Supreme Court, it all depends on the “area of influence” of the famous mark. The Court opposes two examples to that effect: on the one hand, the mark VIRGIN used in connection with a large diversity of wares and services and having almost “no bounds,” and on the other hand, the mark APPLE, well known in separate markets simultaneously for computers, a record label and automobile glass.45

There is still a major problem with the concept of “famous” marks: How do we reach the conclusion that a mark is “famous”? Unfortunately, the Supreme Court gives no comprehensive definition and does not enumerate factors in that regard. In that context, one could perhaps use the factors enumerated to determine the existence of goodwill under Section 22, as more fully discussed below.46 We, however, are of the opinion that a luxury mark is not for that sole reason a famous mark. Moreover, not so many marks can be qualified as “famous.” For example, how globally “famous” is a mark that is well known in a restricted community of people? It is probably because of this uncertainty

42. Id. at para. 32.
43. Mattel, 2006 SCC 22, at para. 30.
44. Id. at para. 63 (emphasis added).
45. Id. at. para. 30.
that a court must not give too much weight to the notoriety of a mark.

That being said, the Supreme Court reviews the *Pink Panther* and *Lexus* decisions on the interaction between famous marks and the similarity between the wares or services associated with a famous and a junior mark. The Supreme Court upholds the ratio of these decisions, that is to say that “[t]he fact that the [plaintiff]’s mark was world-renowned could not be a factor so important as to make the differences in wares and services irrelevant.” However, the wares and services, while most material, are not controlling. The Supreme Court does consequently reject what it considers as an *obiter* in *Pink Panther*:

To the extent Linden J.A. held that the difference in wares or services will *always* be a dominant consideration, I disagree with him, but given the role and function of trade-marks, it will generally be an important consideration. The appellant contends that some of Linden J.A.’s *obiter* statements can be read virtually to require a “resemblance” between the respective wares and services. In that respect, the *obiter* should not be followed.

On a more general level, however, it seems to me that it is the appellant, not the Federal Court of Appeal, which seeks to sidestep the “all the surrounding circumstances” test in the case of a famous trade-mark and place fame in the ascendent. I agree with the appellant that a difference in wares or services does not deliver the knockout blow, but nor does the fame of the trade-mark. Each situation must be judged in its full factual context.

Justice Binnie explains that in *Pink Panther* and *Lexus*, the Federal Court of Appeal put too much emphasis on the existence, or not, of a connection or similarity between the wares and services. He does concede however that the difference in wares or services will generally be a very important consideration. Citing Professor McCarthy, Justice Binnie acknowledges that the product line “will generally represent a significant obstacle for even a famous mark to leap over.” In that sense, the distinction made by the Supreme Court with the *Pink Panther* and *Lexus* decisions is not that important. Even if such a difference in the products and services will not always be determinative, it will be in most cases of great importance, especially where the difference is patent. We

49. *Id.* at paras. 71-72.
50. *Id.* at para. 78
must also keep in mind that Justice Linden had already recognized in *Pink Panther* that “[s]imilarity in wares or services cannot be a *sine qua non* in a determination of confusion.”

E. Facts Are Important

In *Veuve Clicquot*, the Supreme Court states that “[w]hether or not there exists a likelihood of confusion is largely a question of fact,” but in *Mattel* it rather states that it is “a question of mixed fact and law.” The distinction is not without importance because of the decision *Housen v. Nikolaisen*, where the Supreme Court of Canada enunciated different standards of review of trial decisions by the appellate courts. A finding of fact is not to be reversed unless the trial judge made a “palpable and overriding error.” In the case of a question of mixed fact and law, the situation is much more complicated, the Supreme Court having even admitted that in such a case, “it is often difficult to determine what the applicable standard of review is.” One could pretend that *Mattel* and *Veuve Clicquot* must be distinguished because the first one deals with an opposition and the second one with an action for infringement. However, in both cases the question is the determination of the likelihood of confusion, and for that reason, the standard of review should be the same. We submit that it is merely a question of fact, as already stated by the Supreme Court in an earlier decision.

In any event, in *Veuve Clicquot*, the Supreme Court performed a careful review of the facts and of all the surrounding circumstances, and pointed out that “[w]hether the VEUVE CLICQUOT aura extends to the facts of a particular infringement case is a matter not of assertion, but of evidence.” The burden of proof that there was a likelihood of confusion on the balance of probabilities rested on the plaintiff. The Court found that the trial judge did apply the adequate test of “all the surrounding circumstances,” even if she based her decision on *Pink Panther* and *Lexus*. According to the Court, in this case, the evidence was clear that the mark VEUVE CLICQUOT “carries an aura of luxury

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55. *Id.* at para. 10.
56. *Id.* at para. 27.
59. *Id.* at para. 14.
which may extend outside the wine and champagne business,” but the respondents’ stores were not in the luxury class. In that regard, Justice Binnie stated that “[l]uxury champagne and mid-priced women’s wares are as different as chalk and cheese.”

The Court indicated that while the aura of the VEUVE CLICQUOT mark is not necessarily limited to champagne and could expand into the luxury goods market, Veuve Clicquot Ponsardin failed to show that the mark would likely be associated with the sale of mid-priced women’s clothing. The trial judge was then entitled to put emphasis on the significant difference between each party’s activities and to make it the “key factor,” to then conclude as to the likelihood of confusion, rather than just a mere possibility of confusion. The final finding of the trial judge, to the effect that “it is not likely that a consumer would think the [appellant] was affiliated with the [respondents] or that the [appellant] had granted a third party a licence to allow it to use the distinctive part of its mark in association with a women’s clothing store,” is qualified as being “critical” by the Supreme Court, which seemed to have been impressed by this statement.

The Supreme Court also seemed to have been influenced by the fact that no evidence of actual confusion was adduced by Veuve Clicquot Ponsardin. This must be understood in conjunction with the Mattel decision, which states that “an adverse inference may be drawn from the lack of such evidence in circumstances where it would readily be available if the allegation of likely confusion was justified,” especially when concurrent use on the marketplace is extensive, which was the case here since both marks had coexisted for 10 years.

The evidence was clearly not strong enough to show a probable connection between each party’s mark. Even if the Court had acknowledged that the aura of the VEUVE CLICQUOT mark could be broader than champagne, no convincing evidence was provided to demonstrate it. It is not sufficient to speculate on that point with expert testimonies, especially when both parties operate in two different fields of activities. In such a case, the plaintiff must convince the Court that the area of influence of a famous mark actually expands beyond the wares and services associated

60. Id.
61. Id. at para. 31.
62. Id. at para. 33.
63. Id. at para. 36.
64. Id. at para. 37.
66. Id. at para. 89.
with the plaintiff’s mark, to reach the wares and services associated with the defendant’s mark, which Veuve Clicquot Ponsardin failed to do simply because it was impossible to establish: the defendants were not linked to the luxury industry, VEUVE CLICQUOT has only been associated with one specific product from the beginning and the wares and services of each party are extremely different. It is only a question of good common sense rather than applying factors: it is not logical to assume that an ordinary consumer would believe that the champagne brand company has started selling women’s clothing.

V. THE DECISION REGARDING DEPRECIATION OF THE VALUE OF GOODWILL

A. The History of the Remedy

Veuve Clicquot Ponsardin gave less importance to the Section 22 issue before the Federal Court and the Federal Court of Appeal, which was raised before the Supreme Court of Canada essentially thanks to the intervention of the International Trademark Association. This Section was introduced in the Trade-marks Act by the last major revision of the Act in 1953. Very few decisions have applied it – surprisingly in the Supreme Court’s opinion – and it may be argued that more authors than judges have written on it. The most thorough and most commonly cited decision on Section 22 was Clairol International Corp. v. Thomas Supply & Equipment Co., delivered by Justice Thurlow from the Exchequer Court (now the Federal Court of Canada) in 1968.68

According to the Supreme Court, the issue to which Section 22 need be applied is the following: “The appellant need only show that the respondents have made use of marks sufficiently similar to VEUVE CLICQUOT to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the trade-mark.”69 Confusion is not the appropriate test under Section 22. The trial judge, having few guidelines on this remedy, came to the following conclusion, which was a new way of applying this Section: “Although confusion is not the test laid down in s. 22, I consider that it is still necessary for there to be an association between the two 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.”70

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68. [1968] 2 Ex. C.R. 552.
This remedy is not intended to be applied only to famous marks. In the United States, an “anti-dilution” provision was enacted in 1995 prohibiting the actual dilution of the distinctive quality of a famous trade-mark.\footnote{15 U.S.C. § 1125(c).} Even if this remedy was drafted quite differently from Section 22, the Supreme Court nevertheless found some guidance in American case law and commented on the “anti-dilution” provision, which was strongly disputed by the respondents.

**B. The Court Revisits the Principles**

The Supreme Court of Canada first wrote that the depreciation remedy must be “kept in check” in the interest of fair competition.\footnote{Veuve Clicquot, 2006 SCC 23, at para. 45.} This is exactly what the Court did in its decision. The Court decided to provide some comprehensive guidelines on Section 22 and it is certainly the reason why it enunciated a new test containing four elements:

(a) the claimant’s registered trade-mark is used by the defendant in connection with wares or services, whether or not such wares and services are competitive with those of the claimant;

(b) the claimant’s registered trade-mark is sufficiently well known to have significant goodwill attached to it;

(c) the claimant’s mark is used in a manner \textit{likely} to have an effect on that goodwill (\textit{i.e.}, linkage);

(d) the \textit{likely} effect would be to depreciate the value of its goodwill (\textit{i.e.}, damage).\footnote{Id. at para. 46.}

The Supreme Court then applied this new test to the facts of the case. Regarding the first element, the Supreme Court resolved two controversies on Section 22. First, to determine whether the mark is used by the defendant, reference must be made to the definition of “use” in Section 4 of the \textit{Trade-marks Act}.\footnote{Id. at para. 47.} It is the position that was taken in \textit{Clairol International Corp. v. Thomas Supply & Equipment Co.}, but it was contested by some authors. In accordance with Section 4, a trade-mark is deemed to be used in association with wares if, at the time of the transfer of the property or possession of the wares in the normal course of trade, the trade-mark is affixed on the wares themselves or on the packages in which they are sold, and a trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of these services.
Second, in some decisions, and it seems that it was the position of the Federal Court of Appeal in this case, it has been decided that Section 22 could be enforced only if the mark was used by the defendant exactly as registered by the plaintiff. The Supreme Court rejected this approach. Because Section 22 has to be interpreted in light of its remedial purpose, “if the casual observer would recognize the mark used by the respondents as the mark of the appellant (as would be the case if Kleenex were spelled Klenex), the use of a misspelled Clicquot would suffice.” However, the registered mark was not CLICQUOT but rather VEUVE CLICQUOT. The Supreme Court explains that Veuve Clicquot Ponsardin adduced evidence that “Clicquot” is the distinguishing character of its mark. Nevertheless, the trial judge found that “[i]n [her] view a consumer who saw the word ‘Clicquot’ used in the defendants’ stores would not make any link or connection to the [plaintiff’s mark].” In Justice Binnie’s opinion, this was the critical finding that Veuve Clicquot Ponsardin had to overcome to succeed at this stage, which it failed to do. We respectfully submit that such a comment regarding the first element is surprising. It would be more understandable if made with regards to the third element, where it is besides repeated. We consequently do not have a definite answer on how much the defendant’s mark must be similar to the registered mark to constitute use of that mark and to be subjected to Section 22: Is it limited to misspelled marks or does it encompass marks containing the distinguishing feature of the registered mark.

Regarding the second element, Section 22 does not require the mark to be well known or famous, unlike in the U.S. “anti-dilution” remedy. However, “a defendant cannot depreciate the value of the goodwill that does not exist.” Unfortunately, “goodwill” is not defined in the Trade-marks Act. In Clairol International Corp. v. Thomas Supply & Equipment Co., Justice Thurlow gave the following definition of goodwill attaching to a trade-mark:

[The goodwill attaching to a trade mark is I think that portion of the goodwill of the business of its owner which consists of the whole advantage, whatever it may be, of the reputation and connection, which may have been built up by years of honest work or gained by lavish expenditure of money

75. See Rôtisseries St-Hubert Ltée v. Le syndicat des travailleurs(euses) de la Rôtisserie St-Hubert de Drummondville (C.S.N.) (1986), 17 C.P.R. (3d) 461 (S.C.Qc.).
80. Id. at para. 46.
and which is identified with the goods distributed by the owner in association with the trade mark.81

The Supreme Court does not seem to disagree with this definition. The Court specifies that there must be “significant goodwill” subject to being depreciated by a non-confusing use82 and enumerates factors that should be considered in such an analysis:

[The degree of recognition of the mark within the relevant universe of consumers, the volume of sales and the depth of market penetration of products associated with the claimant’s mark, the extent and duration of advertising and publicity accorded the claimant’s mark, the geographic reach of the claimant’s mark, its degree of inherent or acquired distinctiveness, whether products associated with the claimant’s mark are confined to a narrow or specialized channel of trade, or move in multiple channels, and the extent to which the mark is identified with a particular quality.83

To these factors, the Court seems to add as a requirement that the goodwill attached to the registered mark must transcend the wares or services with which the mark is usually used.84

Regarding the third element, according to the Supreme Court, “[i]f the somewhat-hurried consumer does not associate what is displayed in the respondents’ stores with the mark of the venerable champagne maker, there can be no impact—positive or negative—on the goodwill attached to VEUVE CLICQUOT.”85 Said differently, in the absence of a likely link or mental association made by consumers between the plaintiff’s mark and the defendant’s use, there can be no depreciation of the goodwill attached to the former.86 It is interesting to note that, according to the Supreme Court in Mattel, if a link or association is not likely to arise in the consumer’s mind between the source of the plaintiff wares and services and the defendant wares and services, there can be no likelihood of a mistaken inference and thus no confusion within the meaning of the Trade-marks Act.87 Even if confusion is not the appropriate test under Section 22, it is submitted that the third element resembles it. One would consider that the burden of proof for the third element is thus very high.

83. Id. at para. 54.
84. Id. at paras. 53-54.
85. Id. at para. 56.
86. Id. at para. 49.
Moreover, the Supreme Court also stated that “a mental association of the two marks does not, under Section 22, necessarily give rise to a likelihood of depreciation.”

Regarding the fourth and last element, there must be a likelihood of depreciation. In Clairol International Corp. v. Thomas Supply & Equipment Co., Justice Thurlow dramatically limited the scope of Section 22 and excluded the application of this remedy to dilution cases:

Depreciation of that value in my opinion occurs whether it arises through reduction of the esteem in which the mark itself is held or through the direct persuasion and enticing of customers who could otherwise be expected to buy or continue to buy goods bearing the trade-mark. It does not, however, as I see it, arise, as submitted by Mr. Henderson, from danger or loss of exclusive rights as a result of use by others as this in my view represents possible loss of exclusive rights in the trade mark itself rather than reduction of the goodwill attaching to it.

The Supreme Court appreciates that disparagement is a possible source of depreciation, but “the value can be lowered in other ways, as by the lesser distinctiveness that results when a mark is bandied about by different users” or if the owner expands the mark “too thinly over too many products of differing quality.” At the beginning of the decision, Justice Binnie explains the concept in other words: “[T]he power of the [...] mark to identify and distinguish the [plaintiff’s] products [is] lessened, or [...] its brand image [is] tarnished, or [...] the goodwill attaching to its brand [is] otherwise devalued or diluted.” The Supreme Court clearly departs from Canadian jurisprudence on that question. Historically, Section 22 has been enforced in cases where the defendant is specifically attempting to evoke the plaintiff’s trade-mark in the mind of the public, as in the case of denigration, comparative advertising or spoof.

While noting that U.S. cases must be read with the “anti-dilution” legislation’s different wording in mind, the Supreme Court

91. Id.
92. Id. at para. 2.
93. Rôtisseries St-Hubert Ltée v. Le syndicat des travailleurs(euses) de la Rôtisserie St-Hubert de Drummondville (C.S.N.) (1986), 17 C.P.R. (3d) 461 (S.C.Qc.).
Court invites us to consult it to find an explanation of relevant concepts thereto, particularly the notions of “blurring” and “whittling away.” As an example, the diminution of the distinctiveness, uniqueness, effectiveness and prestigious connotation of a mark could qualify as depreciating the goodwill. However, the concept of “depreciation” would not be limited to the U.S. notions and its scope could then be wider. The Supreme Court leaves this question open, but the likelihood of depreciation of goodwill must be proved as opposed to being merely possible.

C. Facts Are Important (Encore)

The Supreme Court was very critical of the evidence adduced by Veuve Clicquot Ponsardin under Section 22. From the outset, the Court noted that “[d]espite the undoubted fame of the mark, the likelihood of depreciation was for the appellant to prove, not for the respondents to disprove, or for the court to presume.” The Court seemed to regret that not much evidence was filed under Section 22. On that question, citing Professor J. Thomas McCarthy, the Court stated that depreciation must be proved by evidence, not by “theoretical assumptions” or speculation: the proof of each element is rigorously required.

In this very case, the Supreme Court found nothing on the evidentiary record permitting to infer the likelihood of depreciation. The appeal was also rejected on this point. These comments of the Court clearly demonstrate that the evidence required under Section 22 must be very important to be relevant. There is possibly a connection between such evidence and the evidence of damages resulting from the infringement.

VI. CONCLUSION

On the topic of infringement, the Supreme Court of Canada has undertaken to maintain a sound balance between the rights of famous trade-mark owners and those of other merchants, and has confirmed in substance the jurisprudence of the Federal Court of Appeal on that question. Famous marks are still conferred a wider
scope of protection, but only within the limits necessary to avoid that prospective purchasers in the marketplace will likely incorrectly infer that the wares and services of two traders are provided by the same person, keeping in mind that a mark is a symbol of the source and quality of a product or service.

For that reason, each famous mark must be analyzed for what it is, based on the facts and the evidence of each case, and a product or service specific famous mark will receive a much less important aura, and thus scope of protection, than a famous mark used in connection with a large array of goods and services. Moreover, the wares and services of each party are still of capital importance in determining the likelihood of confusion, even where famous marks are involved, and the notoriety of a mark is not enough to alleviate the weight to be given to a large difference thereto.

On the issue of depreciation of goodwill, even if the Supreme Court has broadened the range of cases where Section 22 may be enforced, particularly in all dilution cases, it has, on the other hand, set the bar very high, making the four steps listed by the Court certainly hard to reach. However, there is now a clear test in place for that remedy and the potential plaintiffs are in a position to know what must be proven in that context. It will be interesting to see how the courts will apply the test.

Finally, the Supreme Court has put a lot of emphasis on the importance of the facts. Assumptions will never be sufficient to conclude that there is confusion or depreciation of goodwill. Sufficiency of the evidence is capital in all instances. Average amounts of evidence do not seem to be enough. Evidence should be extensive, if not massive, in all cases, which is not always easy, but costly. Moreover, the Court reiterates that the absence of any evidence of actual confusion, while not necessary, is important, and may bring a court to draw an adverse inference against the plaintiff, especially “in circumstances where it would readily be available if the allegation of likely confusion was justified.”

Under these circumstances, especially in borderline cases, it is strongly recommended to evaluate the feasibility of producing such evidence.