



Question Q214

National Group: Canadian Group

Title: Protection against the dilution of a trade mark

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Questions

I. Analysis of current law and case law

The Groups are invited to answer the following questions under their national laws:

1. Do the laws of your country provide for protection against dilution of a trademark? If so, which laws?

Reply

The Canadian *Trade Marks Act* does not explicitly provide for protection against dilution of a trademark (*Trade-marks Act*, R.S., 1985, c. T-13). However, Section 22 of the *Act* prohibits a person from using 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. Case law has interpreted Section 22 in a manner so as to include a dilution-type cause of action.

Recently, in *Veuve Clicquot Ponsardin v. Boutiques Cliquot*, (2006) SCC 23, the Supreme Court of Canada, in commenting on Section 22, noted that the provision offered a “similar remedy” to the United States “anti-dilution” statute, and stated as follows:

The appellant [to succeed under Section 22] 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 appellant's mark.

The s. 22 remedy was introduced by the 1953 amendments to the *Trade-marks Act*, and was based on the *Report of Trade-mark Law Revision Committee to the Secretary of State of Canada* (1953), chaired by Dr. Harold G. Fox. A member of that

committee, Christopher Robinson, Q.C., a leading intellectual property practitioner, wrote by way of explanation:

The trade mark KODAK would be likely to be considerably less valuable to its owner if it were used by others in connection with a wide variety of other wares even if these were so unrelated to photographic equipment that nobody would think that they originated with the trade mark owner. (C. Robinson, "The Canadian *Trade Marks Act* of 1954 - A Review of Some of Its Features" (1959), 32 C.P.R. 45, at p. 61)

Dr Fox himself commented on the new depreciation remedy in the 1956 edition of his text...noting that s.22 addressed...

...Where a well known trade mark is taken by another for use in association with wares... in course of time, and with repeated use, the trade mark diminishes in value just as it diminishes in distinctiveness.

The Supreme Court went on to note that the American Restatement on the U.S. law of dilution provided "sensible guidance" in the context of Section 22 where it stated "the courts have continued to confine the cause of action for dilution to cases in which the protectable interest is clear and the threat of interference is substantial."

2. Is there a legal definition of dilution in your legislation or case law?

Reply

There is no specific definition of dilution in either case law or legislation. However, the Supreme Court of Canada described the term "depreciate" in Section 22 in *Veuve Clicquot Ponsardin c. Boutiques Cliquot* as follows:

The word "depreciate" is used in its ordinary dictionary meaning of "lower the value of" as well as to "disparage, belittle, underrate": *The New Shorter Oxford English Dictionary* (5th ed. 2002), at p. 647. In other words, 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 (at ¶63).

The court went on to refer to U.S. dilution jurisprudence and the notions of "blurring" and "tarnishment" and indicating that while the concept of "depreciation" in Section 22 may not be limited to these notions, Canadian courts have not yet had an opportunity of exploring the limits of the section. This would appear to suggest that though section 22 is not necessarily identical to the U.S. law of dilution, the two would appear to be closely related.

3.1. Which trademarks are afforded protection against dilution? What are the eligibility criteria? (Please only briefly list the eligibility criteria here; more detailed explanations will be required below).

Reply

First, the mark must be registered with the Canadian Intellectual Property Office.

The Supreme Court of Canada in *Veuve Clicquot* determined that Section 22 essentially has four elements.

1. The registered trade-mark, or a sufficiently similar mark, was used by another person in connection with wares or services - whether or not such wares and services are competitive with those of the claimant.
2. The registered trade-mark is sufficiently known to have significant goodwill attached to it. Section 22 does not specifically require the mark to be well known or famous (in contrast to the analogous European and U.S. laws), but a defendant cannot depreciate the value of the goodwill that does not exist.

As such, for practical purposes, in order to successfully rely upon Section 22 for the purposes of a dilution type allegation, it is likely that the registered mark will need to be shown as being at least well known.

3. The trade-mark was used in a manner *likely* to have an effect on that goodwill.
4. The *likely* effect would be to depreciate the value of its goodwill.

- 3.2. To be eligible for protection against dilution, does a mark need to be distinctive? If so, does the protection depend upon the mark being inherently distinctive or are marks that have acquired distinctiveness through use also protected?

Reply

Yes, a mark must be distinctive or capable of being distinctive in order to support a cause of action under section 22. Otherwise, the lack of distinctiveness would be a basis for challenging the validity of the mark as part of a defence to an allegation based on Section 22, including in opposition proceedings (*Trade-marks Act*, s. 38(1)(d)), or in other legal proceedings, such as an infringement action which will often include a Section 22 allegation.

The manner in which the registered mark in question may have become distinctive so as to enjoy the protection of Section 22 is not per se relevant. However, a mark which is inherently distinctive may be afforded a broader ambit of protection. This is likely to be considered a factor in determining the effect of any use of the trade-mark on the value of goodwill therein under Section 22. Conversely, trade-marks which have acquired distinctiveness may have a greater hurdle to overcome to assert that the goodwill in the trade-mark has been depreciated by the use of the mark by a third party. Trade-marks consisting of names or surnames (i.e. designers, food products, etc.) could also acquire sufficient distinctiveness to support a section 22 cause of action.

3.3.1 To be eligible for protection against dilution, does a mark need to have a reputation or be well-known or famous? If so, when does a mark have a reputation, when is it well-known or when is it famous? Are the factors mentioned in paragraph 15 and 22 above relevant for determining whether a mark has a reputation, is well known or famous? For what point in time does this have to be assessed?

Reply

As discussed above under the answer to question 3.1.1, while the legal test as described in the jurisprudence states that the registered mark is not “required” to be well known or famous, for practical purposes it is likely that in order to succeed under section 22, the registered mark would need to be shown as being at least well known.

The Supreme Court of Canada in *Veuve Clicquot* commented as follows:

While "fame" is not a requirement of s. 22, a court required to determine the existence of goodwill capable of depreciation by a "non-confusing" use (as here) will want to take that approach into consideration, as well as more general factors such as 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. (*Veuve Clicquot Ponsardin v. Boutiques Cliquot*, ¶154).

3.3.2 For a mark to have a reputation or to be considered well known or famous, must it meet a certain knowledge or recognition threshold? If so, what is that threshold? What percentage of population awareness is required? How widespread must the awareness be across the country? If a mark is well known or famous in one country, what effect, if any, does this have with regard to other countries?

Reply

The above paragraphs enumerate the general points that will be considered by the Court in the context of Section 22. The authors are not aware of any jurisprudence setting out a predetermined threshold or percentage of the population that must be shown as having knowledge of the mark to support a Section 22 cause of action. Although not in a Section 22 context, there is jurisprudence indicating that it is sufficient to establish that a mark is well known in Canada if it is known in a “substantial” part of the country, e.g. the province of Quebec. (*Valle's Steak House v. Gerard Tessier* (1980), 49 C.P.R. (2d) 218 (FCTD)). As such, it is at least possible that a Section 22 dilution type action could be maintained in respect of a registered trade-mark that is only “well known” in a part of the country.

While the Canadian *Trade-marks Act* affords protection, including the rights to registration, of a mark that has become known in Canada through use outside of the country, the authors are not aware of a case where a Section 22 cause of action has been successful in respect of such a mark.

3.3.3 What is the relevant population in determining the knowledge, recognition or fame of the mark, the general public at large or the relevant sector of public? Is recognition or fame in a limited product market (“niche market”) sufficient?

Reply

Authority in Canada is sparse, however, per the answer to 3.3.1 above, the relevant population is not the entire population, but the “relevant universe of consumers,” which would suggest that recognition or fame in a limited product market (“niche market”) may be sufficient to support a Section 22 cause of action.

3.4. To be eligible for protection against dilution, is it required that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in the country where protection is being sought?

Reply

The trade-mark must be registered in order for Section 22 of the *Trade-marks Act* to be eligible. As noted above, pursuant to the Canadian *Trade-marks Act*, it is possible to obtain registration of a mark based on the mark becoming known in Canada, without actual use. However, whether such a registration could be relied upon to succeed in a Section 22 action is uncertain, as again, the reputation of the mark amongst Canadian consumers is of paramount importance, and such reputation may be difficult to establish when the mark has not been used in Canada.

3.5. Are there any other criteria a mark must comply with to be eligible for protection against dilution?

Reply

The two elements required for the trade-mark are, as enumerated above, namely:

1. The trade-mark is registered.
2. The registered trade-mark is sufficiently [well] known to have significant goodwill attached to it.

- 3.6. Is eligibility for protection against dilution a matter of law or an issue of fact? Who bears the burden of proof regarding the eligibility criteria? How does one prove that a mark meets the eligibility criteria? Are sales and advertising figures sufficient or is survey evidence required? Which evidential standard must this proof satisfy?

Reply

Eligibility for protection against dilution is a mixed question of law and fact. The mark must not only be registered, but must, on the standard civil burden of proof of the balance of probabilities, be shown to be sufficiently known so as to have the requisite goodwill amongst consumers so as to support a Section 22 cause of action.

- 3.7. Is there any registry of eligible marks in your country? If so, what is the evidentiary value of registration? Can it be challenged in litigation?

Reply

There is a registry of registered trade-marks in Canada, and any registered mark may (at least) form the basis of a Section 22 allegation. However, there is no registry of well known or famous marks in Canada.

4. Does your law require the existence of a 'mental association' or 'link' between the earlier trademark and the later trademark? If so, in which circumstances does a 'mental association' or 'link' between the earlier trademark and the later trademark exist? Are the factors mentioned in paragraph 27 and 28 above relevant for assessing the existence of such a 'mental association' or 'link'? Are there other factors to take into account? Is the assessment of a link a question of fact (so something that can be established by market surveys), or is it a question of law to be established by the courts or authorities on the basis of such factors?

Reply

While a mental association or link is required, such an association or link by itself is not enough to necessarily give rise to a likelihood of depreciation. The Supreme Court of Canada made the following observation in *Veuve Clicquot Ponsardin c. Boutiques Cliquot* at ¶¶38-40 (see also ¶¶43):

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 appellant's mark.

The s. 22 remedy was introduced by the 1953 amendments to the *Trade-marks Act*, and was based on the *Report of Trade-mark Law Revision Committee to the Secretary of State of Canada* (1953), chaired by Dr. Harold G. Fox. A member of that committee, Christopher Robinson, Q.C., a leading intellectual property practitioner, wrote by way of explanation:

The trade mark KODAK would be likely to be considerably less valuable to its owner if it were used by others in connection with a wide variety of other wares even if these were so unrelated to photographic equipment that nobody would think that they originated with the trade mark owner. (C. Robinson, "The Canadian *Trade Marks Act* of 1954 - A Review of Some of Its Features" (1959), 32 C.P.R. 45, at p. 61)

With regard to the likely connection or linkage made by consumers between the claimant's goodwill and the defendants' use, "likelihood" is a matter of evidence not speculation. The Court in *Veuve Clicquot* did not elaborate as to what would have met the test, but stated that mere speculation is insufficient. (at ¶60).

5. Does such 'mental association' or 'link' between the earlier trademark and the later trademark automatically result in detriment to the earlier trademark's repute or distinctive character? Or does detriment have to be proved over and above the existence of a 'mental association' or 'link'?

Reply

The likelihood of depreciation must be established over and above the existence of a 'mental association'. The Court in *Veuve Clicquot* indicated that U.S. jurisprudence was useful in elucidating relevant concepts for consideration and observed that Canadian Courts have not yet explored the limits. The Court concluded:

Acceptance of the argument that depreciation *could* occur, is not acceptance of the assertion that on the facts of this case depreciation is *likely* to occur... The appellant need only prove *likelihood* but there is nothing in the evidentiary record from which likelihood could be inferred. (at ¶67)

The essence of liability under s. 22 is precisely the likelihood "of depreciating the value of the goodwill attaching" to the claimant's trade-marks. The *extent* of any actual depreciation might, of course, be left to a reference, but likelihood of depreciation is one of the elements of the cause of action, and if a plaintiff (here the appellant) fails to establish likelihood, the s. 22 claim will fail. (at ¶69).

6. Are the same factors taken into consideration to assess the existence of detriment as those already discussed for the link? Are there additional ones?

Reply

The determination of a link and the determination of likely depreciation appear to be assessed on separate factors, per above, however this is not a frequently litigated ground, and Canadian Courts have not yet explored the limits of the respective elements required by Section 22. There has been no list of factors set down as yet for these elements as there is for the determination of goodwill.

7. Must actual dilution be proved or is a showing of likelihood of dilution sufficient? Whose burden of proof is it? How does one prove dilution or likelihood of dilution? Does detriment require evidence of a change in the economic behaviour of the average consumer or that such change in behaviour is likely? If so, what is a change in the economic behaviour of the average consumer? Is reduced willingness to buy goods sold under the earlier mark a change in the economic behaviour? How do you prove a change in the economic behaviour of the average consumer or likelihood of such change in behaviour?

Reply

Under Section 22, and as applied by the Courts, only the likelihood of depreciation of the value of a trade-mark's goodwill must be proven. In regard to the proof of the likelihood of depreciation, see Reply to Q. 5 above.

8. What is the extent of protection afforded to marks which are eligible for dilution protection? May the owner of the earlier trademark object
- to the registration of a later trademark?
 - to the actual use of a later trademark?
 - in respect of dissimilar goods only or also in respect of similar goods?

Reply

An owner of a registered trade-mark may oppose the application to register a later trade-mark based on, in part, an allegation pursuant to Section 22, though the authors are not aware of an opposition that has to-date succeeded on such a ground (*Parmalat Canada v. Sysco Corp* (2008), 69 C.P.R. (4th) 349 (F.C.)).

Additionally, and as noted above, Section 22 also provides a cause of action that a registered owner may bring against a third party using a mark in the marketplace. A Section 22 type dilution cause of action is available where third party is using the mark in association with goods that are dissimilar to those of the registered owner.

9. What are the legal remedies? May the owner of the earlier trademark file an opposition and/or a cancellation action? May he ask for injunctive relief or preliminary injunctive relief? Does your trademark office refuse the registration of a later trademark on grounds of likelihood of dilution?

Reply

An owner may file an opposition objecting to the registration of a mark, and/or commence an action for breach of Section 22 based on the use of the impugned mark by a third party in the

marketplace. In respect of the latter cause of action, the potential remedies available to the trade-mark registrant include:

- (i) damages based on the alleged dilution of goodwill;
- (ii) an interim, interlocutory, or permanent injunction enjoining the impugned conduct;
- (iii) delivery up and/or destruction of any offending products or materials; and
- (iv) court costs.

II. Proposals for adoption of uniform rules

The Groups are invited to put forward proposals for adoption of uniform rules with a view to protecting trademarks against dilution. More specifically, the Groups are invited to answer the following questions:

1. Which trademarks should be eligible for protection against dilution?

Reply:

Those trade-marks which can be shown to be well-known (under Section 5 of the *Act* or famous, as established by the evidence in appropriate legal proceedings.

What should the eligibility criteria be?

Reply:

The trade-mark owner should need to establish sufficient evidence of reputation, goodwill and recognition throughout a substantial part of the country.

Should recognition or fame in a limited product market (“niche market”) be sufficient?

Reply:

Yes, so long as sufficient evidence as indicated above can be provided in such a niche market.

2. Should it be a criteria for being eligible for dilution protection that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in the country?

Reply:

The criteria should be that the mark has been sufficiently used to such an extent that it is well-known to a substantial part of the country and that such mark be registered.

3. Should there be a registry of eligible marks?

Reply:

Although a registry could be used to assist owners and practitioners in attempting to establish the necessary legal threshold for supporting a section 22 cause of action, it is unlikely that the existence of such a Registry would prevent a potential challenge to the registration of such marks if or when they were asserted in the context of a section 22 cause of action or opposition.

Further, from a practical perspective, it may be difficult to obtain a consensus within Canada as to the criteria that are to be met in order for a registered mark to be considered sufficiently well known so as to be included on any registry.

If so, what should the evidentiary value of registration be?

Reply:

To have any value, presumably the inclusion of a mark on a registry of this kind would at the least need to create an evidentiary onus on the part of the person against whom the mark is being asserted pursuant to section 22 to show that the mark is not sufficiently well known so as to warrant inclusion on any such registry of eligible marks.

Should it be possible to challenge it in litigation?

Reply:

Yes, as discussed above.

4. Should the existence of a 'mental association' or 'link' between the earlier trademark and the later trademark be an independent requirement for a trademark dilution claim?

Reply:

Yes, a "mental association" or "link" should be a requirement.

5. Should detriment to the distinctive character or reputation of the earlier mark require evidence of a change in the economic behaviour of the average consumer or that such change in behaviour is likely?

Reply:

To the extent that the question inquires whether actual damage must be shown, or only a likelihood of the same, the latter is preferred.

6. What should the remedies be for dilution of a mark?

Reply:

Please see above, under paragraph 9.

Q.214 Summary

The Canadian *Trade-Marks Act* does not explicitly provide for protection against dilution of a trade-mark. However, Section 22 of the *Act* prohibits the use of a registered trade-mark by a third party in a manner that is likely to have the effect of “depreciating the value of the goodwill” attaching thereto. The term “depreciate” has been defined by the Supreme Court of Canada as meaning to “lower the value of” and to “disparage, belittle, underrate”. Thus, while dilution has not been specifically defined in Canadian case law or legislation, Section 22 has been interpreted as providing a remedy to that provided by the United States “anti-dilution” statute. To be eligible for protection under Section 22, a trade-mark must be registered in Canada. Additionally, the third party must be using the registered mark or a sufficiently similar mark. However, it is not required that the third party use the mark in connection with the same wares or services for which the mark is registered, nor is it required that confusion be established. Additionally, while there is no requirement that the asserted mark be famous, it must be sufficiently well known such that significant goodwill attaches to it, and that the use by the third party has resulted in a likelihood that the goodwill in the registered mark has been depreciated.

Q.214 Résumé

La loi canadienne *sur les marques de commerce (Trade-Marks Act)*, n’assure pas explicitement la protection contre la dilution d’une marque. Toutefois, l’Article 22 de cette *loi* interdit l’utilisation d’une marque déposée par un tiers d’une façon susceptible de « déprécier la valeur du fonds commercial » qui s’y rattache. Le terme « déprécier » a été défini par la Cour suprême du Canada comme signifiant « amoindrir la valeur de » et « dénigrer, traiter à légère, sous estimer ». Ainsi, bien que la dilution n’ait pas été spécifiquement définie dans la jurisprudence ou la législation canadienne, l’Article 22 a été interprété comme offrant un recours complémentaire de celui offert par la loi « anti-dilution » américaine. Pour pouvoir bénéficier de la protection offerte par l’Article 22, une marque doit être déposée au Canada. De plus, le tiers doit utiliser la marque déposée ou une marque suffisamment proche. Toutefois, il n’est pas nécessaire que le tiers utilise cette marque en relation avec les mêmes produits ou services pour lesquels la marque est enregistrée, ni qu’une confusion soit instaurée. En outre, bien qu’il ne soit pas nécessaire que la marque revendiquée soit célèbre, elle doit être suffisamment connue pour qu’un fonds commercial important s’y rattache, et que son utilisation par un tiers ait entraîné la probabilité que le fonds commercial de la marque déposée ait été déprécié.

Q.214 Zusammenfassung

Das kanadische *Markengesetz* sieht keinen ausdrücklichen Schutz gegen Abschwächung eines Warenzeichens vor. Jedoch verbietet Paragraph 22 des Gesetzes die Anwendung eines registrierten Warenzeichens durch eine dritte Partei auf eine Weise, die wahrscheinlich einer „Abwertung des Geschäftswertes“ gleichgestellt ist. Der Oberste Gerichtshof in Kanada hat die Bezeichnung „Abwertung“ als „Wertminderung“ und als „herabsetzen, abmindern, unterbewerten“ definiert. Obwohl die kanadische Rechtsprechung oder Gesetzgebung eine Abschwächung nicht spezifisch definiert, wird Paragraph 22 als Rechtsmittel ähnlich des in den USA angewandten „Verwässerungsschutzklausel“ interpretiert. Ein Warenzeichen muss in Kanada registriert sein, um unter die Schutzbestimmungen von Paragraph 22 zu fallen. Der Dritte muss außerdem das eingetragene Warenzeichen oder ein ausreichend

ähnliches Zeichen verwenden. Es ist jedoch nicht notwendig, dass der Dritte das Warenzeichen in Verbindung mit denselben Waren oder Dienstleistungen benutzt, für welche das Warenzeichen registriert wurde. Es ist auch nicht notwendig, dass dadurch eine Verwechslung hervorgerufen wird. Obwohl es nicht erforderlich ist, dass das Warenzeichen berühmt ist, muss es doch ausreichend bekannt sein, um einen ausreichenden Geschäftswert damit zu verbinden. Außerdem muss die Anwendung durch den Dritten zur Folge haben, dass der Geschäftswert des Markenzeichens mit großer Wahrscheinlichkeit vermindert wurde.