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INTELLECTUAL PROPERTY

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## The Protection of Famous Marks in Canada

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A franchisor's most valuable asset is typically its trade marks and trade names. Some marks are so famous that they are afforded protection across products and services. While fame operates as a trump card in the United States where the famous mark always wins, it will not necessarily be protected in Canada unless there is evidence of confusion, according to the recent Supreme Court of Canada decisions released in June of this year.<sup>1</sup>

Take for example one of franchising's most famous marks, "McDonald's," associated with McDonald's fast food restaurants. Applying the reasoning of the Supreme Court of Canada decisions, McDonald's would not be able to prevent others from using the McDonald's name for unrelated wares and services such as a tire shop, a realty company or a bank. However, the famous McDonald's arch would likely be afforded greater protection because use of the arch may lead to actual evidence of confusion. For example, if the same tire shop, realty store or bank used the McDonald's arch in connection with these services, McDonald's may be able to put forward evidence of confusion based on the arch being associated with it and it alone.

In June, the Supreme Court of Canada considered the famous "Barbie" mark relating to dolls and doll accessories and the "Veuve Clicquot" mark relating to champagne. The Court found that fame is not enough to bootstrap a broad zone of exclusivity covering "most consumer wares and services," where confusion is unlikely.<sup>2</sup> Although these famous marks did not extend across the product lines

that they were challenging, the Court indicated that some marks will be famous enough to do so. The Disney marks would likely be afforded protection across many if not all product lines given that it is used to promote everything from books, clothing, toys to travel services and mobile phones. The Supreme Court of Canada was clear that the wares and services do not have to be the same to be afforded protection, however, there must be evidence of a likelihood of confusion.

### Mattel and Clicquot

In both *Mattel* and *Clicquot*, the appellant companies possessed trade-mark rights to well-known name brands, Barbie dolls and Veuve Clicquot champagne respectively. They sought to prevent lesser-known businesses from using similar trade marks and names. The appellant in *Mattel* tried to prevent a Quebec company that had been operating its bar and grill-style restaurants under the name "Barbie's" from registering its trade-mark name because it allegedly caused confusion in the marketplace, whereby consumers might mistakenly associate the restaurants with Mattel's famous line of dolls. In *Clicquot*, the appellant claimed that the respondent was liable for infringement and depreciation of goodwill by using the name Cliquot to promote a chain of mid-priced women's clothing stores in Ontario and Quebec.

### Opposition Versus Infringement: Onus of Proof

Although these two judgments address similar points of law, the nature of the actions differ, affecting which party bears the onus of proof. Mattel filed an opposition action against the respondent to prevent the company from registering its trade mark, while Veuve Clicquot launched an infringement action claiming that the respondent's registered trade mark infringed on a proprietary interest in its previously registered mark.

While the statutory tests for confusion in the marketplace<sup>3</sup> and depreciation of goodwill<sup>4</sup> remain the same, the onus of proof shifts depending on the type of action. In *Mattel*, the onus was on the respondent, or applicant for trade-mark registration, to show that

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<sup>1</sup> *Mattel, Inc. v. 3894207 Canada Inc.* 2006 SCC 22 ["*Mattel*"]; *Veuve Clicquot Ponsardin v. Boutiques Clicquot Ltée* 2006 SCC 23 ["*Clicquot*"].

<sup>2</sup> *Mattel*, *ibid.* at paragraph 7.

<sup>3</sup> *Trade-marks Act*, R.S.C. 1985, c. T-13 [the "Act"], s. 20.

<sup>4</sup> *Ibid.* at s. 22.

registration of the trade mark would not create confusion in the marketplace.<sup>5</sup> In *Clicquot*, the onus was on the appellant to prove on a balance of probabilities there would be a likelihood of confusion and/or a likelihood of depreciation of goodwill.<sup>6</sup> While prior registration of a trade mark does not necessarily indicate lack of confusion or depreciation of goodwill, it initially places less evidentiary burden on the party whose trade mark is being challenged.

### Trade-mark Infringement: the Statutory Test

The test to establish that use of the trade marks in the same geographical area will result in confusion is whether "ordinary customers somewhat in a hurry are likely to be deceived about the origin of the wares and services."<sup>7</sup> Determining the likelihood of confusion depends on the "surrounding circumstances."<sup>8</sup> The Court must consider: the inherent distinctiveness and the extent to which each trade mark has become known; the length of time each trade mark has been in use; the nature of wares or services; the nature of the trade; and the degree of resemblance of the trade marks. This list is not exhaustive and, depending on the specific context, weight of each of these factors will vary.<sup>9</sup>

### Is "Fame" a Trump Card?

Considering the public's fixation on famous brands, it seems fitting that fame is an additional factor in the "surrounding circumstances" test. Parliament included fame in the test upon amending the Act to state that a trade mark may be entitled to protection "whether or not wares or services are of the same general class."<sup>10</sup> While fame is not an enumerated circumstance in subsection 6(5), it is also implicit in three of the enumerated factors including: the inherent distinctiveness; the extent to which the trade mark has become known; and the length of time the trade mark has been used.<sup>11</sup>

While fame is undoubtedly a relevant consideration, the Court did not consider it a trump card. The appellants in both cases argued that the fame of a trade mark should act as a trump card, enabling the trade mark to enjoy unlimited protection in all areas of trade.<sup>12</sup> The Court, however, disagreed, and found that while fame is a relevant consideration, it is not determinative of the scope of trade-mark protection. Questioning the Federal Court of Appeal's finding in the *Pink Panther*<sup>13</sup> and *Lexus* cases,<sup>14</sup> the Court held that subsection 6(5) did not require a similarity between the wares or services associated with the trade marks to make out confusion. Although not required, the Court refused to discount similarity entirely, but rather fame of a trade mark may place less weight on the nature of the wares or services. So, while lack of similarity is no longer fatal to an opposition or infringement action, neither fame nor similarity of the wares and services will "deliver the knockout blow."<sup>15</sup>

Neither appellants in *Mattel* nor *Clicquot* established similarity between the product lines represented by the trade marks. *Mattel* had not used the Barbie trade mark in association with restaurant services and *Clicquot* had never attempted to enter the mid-priced women's clothing market. But both appellants argued that the fame of their trade mark transcended product line differences. In each case, the Court found that while each trade mark may evoke an idea beyond dolls and champagne, neither one's fame was strong enough to transcend all types of wares and services. It was unlikely that the ordinary customer would associate the famous doll with a bar and grill restaurant or the famous champagne with mid-priced women's clothing. And while the Court stated that evidence of actual confusion, or lack of evidence, would be a relevant consideration in these proceedings, neither party was able to provide such evidence. Neither case established the likelihood of confusion in the marketplace.

<sup>5</sup> *Mattel*, supra note 1 at paragraph 6.

<sup>6</sup> *Clicquot*, ibid. at paragraphs 14-15.

<sup>7</sup> *Mattel*, ibid. at paragraph 58.

<sup>8</sup> *Trade-marks Act*, supra note 3, s. 6(5).

<sup>9</sup> *Mattel*, supra note 1 at paragraph 54; *Clicquot*, supra note 1 at paragraph 21.

<sup>10</sup> *Trade-marks Act*, supra note 3, s. 6(2).

<sup>11</sup> *Clicquot*, supra note 1 at paragraph 27.

<sup>12</sup> *Mattel*, ibid. at paragraph 69.

<sup>13</sup> *Pink Panther Beauty Corp. v. United Artists Corp.*, [1998] 3 F.C. 534 ["*Pink Panther*"].

<sup>14</sup> *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.*, [2001] 2 F.C. 15 ["*Lexus*"].

<sup>15</sup> *Mattel*, supra note 1 at paragraph 72.

## Depreciation of Goodwill

In *Clicquot*, the appellant advanced a claim for depreciation of goodwill under section 22 of the Act. Since section 22 had received "surprisingly little judicial attention,"<sup>16</sup> the Court carefully outlined the relevant legal test.

To succeed in a claim for depreciation of goodwill, the appellant must prove that the respondent used a mark sufficiently similar to the appellant's mark "to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the goodwill of the appellant's mark."<sup>17</sup> A mere mental association between the two marks is not sufficient<sup>18</sup> and the appellant must prove all of the following four elements to establish depreciation of goodwill:

1. the trade mark must be used in connection with some wares or services;
2. the claimant's trade mark must be sufficiently well-known to have goodwill attached, though is not necessarily famous;
3. the trade mark is used in a manner that would have an effect on goodwill; and
4. the effect would damage or depreciate the goodwill.<sup>19</sup>

In *Clicquot*, the appellant easily satisfied the first element of the test. After considering eight factors, including the trade mark's fame, the Court found that "Veuve Clicquot" had considerable goodwill attached to its name.<sup>20</sup>

However, the appellant failed to produce sufficient evidence that use of the trade mark would have a damaging effect on its goodwill. The Court emphasized that "'likelihood' is a matter of evidence and not speculation."<sup>21</sup>

Depreciation of goodwill will not be assumed, no matter how famous the trade mark, and evidence that depreciation was likely to occur or did occur is required to establish a claim under section 22. Thus the appellant failed to establish a claim for depreciation of goodwill.

## Practical Consideration

As a practical consideration, the evidence that can be assembled to protect your trade mark is key. Whether you are seeking to attack someone else's trade-mark registration or have a claim for depreciation of goodwill, the evidence that is put before the court may determine your success. In both the *Mattel* and *Clicquot* cases, the Court found the lack of evidence of confusion and in the *Clicquot* case the lack of evidence of damage to its goodwill, the fatal blow to *Mattel* and *Clicquot's* claims.

## Conclusion

Famous brands wield considerable influence in the global marketplace, and thus legal protection of those brands is a principal business concern. The two landmark Supreme Court of Canada decisions, *Mattel* and *Clicquot*, place a notable limit on the legal weight of fame. While the Court has acknowledged that some trade marks are so famous that their protection should transcend to all areas of trade, fame is not determinative of the scope of trade-mark protection. When applying the "surrounding circumstances" test, the Court must look at all of the circumstances, giving each one relevant weight, rather than allowing fame to trump all other considerations. By doing so, the Court is able to balance concerns of trade-mark protection with the concept of fair access to the market economy.

<sup>16</sup> *Clicquot*, *ibid.* at paragraph 46.

<sup>17</sup> *Clicquot*, *ibid.* at paragraph 38.

<sup>18</sup> *Clicquot*, *ibid.* at paragraph 43.

<sup>19</sup> *Clicquot*, *ibid.* at paragraph 47.

<sup>20</sup> *Clicquot*, *ibid.* at paragraphs 54-55.

<sup>21</sup> *Clicquot*, *ibid.* paragraphs 60-61.