

## **VEUVE CLICQUOT PONSARDIN v. BOUTIQUES CLIQUOT LTÉE: THE PROTECTION OF FAMOUS TRADE-MARKS IN CANADA**

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### **I. INTRODUCTION**

On June 2, 2006, the Supreme Court of Canada handed down its much anticipated decision in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*.<sup>1</sup> A unanimous Court confirmed the lower courts' dismissal of Veuve Clicquot Ponsardin's various claims under Canada's *Trade-marks Act*<sup>2</sup> (including its request for injunctive relief) against a chain of women's retail stores using the service mark CLIQUOT. At the heart of this trade-mark case was the scope of protection to be granted to famous trade-marks and in this particular instance, to the long standing VEUVE CLICQUOT mark, owned by the plaintiff champagne house and which was described by the Court as "undoubtedly famous"<sup>3</sup> and deserving "wide protection."<sup>4</sup> Despite these enviable qualities, the Court concluded that the evidence did not support a finding that the

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\* Partners, LEGER ROBIC RICHARD, L.L.P., Montreal, Quebec, Associate Member of the International Trademark Association. Jacques A. Léger, Q.C. and Barry Gamache represented Veuve Clicquot Ponsardin, maison fondée en 1772, before the Federal Court, Trial Division (now the Federal Court of Canada), the Federal Court of Appeal and the Supreme Court of Canada. Publication 351. Lawyer, Bob H. Sotiriadis is a partner of LEGER ROBIC RICHARD, L.L.P., a multidisciplinary firm of lawyers, and patent and trademark agents. Notes for a conference pronounced for the 2006-03-29 MCLE Doing Business in Canada. Publication 345.

<sup>1</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23; affirming (2004), 35 C.P.R. (4th) 1 (F.C.A.); affirming (2003), 28 C.P.R. (4th) 520 (F.C.T.D.). The Court's decision was handed down on the same day as companion case *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22 where the rejection of Mattel, Inc.'s opposition to the registration of the trade-mark BARBIE'S & Design for restaurant services was affirmed.

<sup>2</sup> *Trade-marks Act*, R.S.C. 1985, c. T-13.

<sup>3</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, at para. 2.

<sup>4</sup> *Id.*

VEUVE CLICQUOT mark would be associated by ordinary consumers with mid-priced women's clothing sold in defendants' CLIQUOT boutiques.<sup>5</sup>

In its reasons, the Court agreed with Veuve Clicquot Ponsardin (and intervener International Trademark Association) that case law which had been relied upon by the trial judge<sup>6</sup> had put too much emphasis on the similarities and dissimilarities in the nature of the wares, services or business when analyzing likelihood of confusion involving a famous trade-mark. However, in the circumstances of the case before it, the Court concluded that Tremblay-Lamer J. did apply the appropriate "all the surrounding circumstances" test required by section 6 of the *Trade-marks Act*.<sup>7</sup> One can say that the Court's decision in this case (and in the companion *Matte*<sup>8</sup> case) has clarified the likelihood of confusion test reviewed by the Federal Court of Appeal in *Pink Panther Beauty Corp. v. United Artists Corp.*<sup>9</sup> and further described by the same appellate court in *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.*<sup>10</sup> The Supreme Court's clarification of the *Pink Panther Beauty Corp.* test is part of the *Veuve Clicquot Ponsardin* legacy.

## II. BACKGROUND

Writing for the Supreme Court, Binnie J. introduces plaintiff and its much appreciated beverage with kind words: "Among those with champagne tastes, the brand of Veuve Clicquot Ponsardin is considered among the very best."<sup>11</sup> Established during the last years of France's *ancien régime*, plaintiff Veuve Clicquot Ponsardin has earned its well deserved reputation in part due to the considerable efforts of Nicole Clicquot Ponsardin (1777-1866) who, as a young widow, took over her late husband's champagne house in 1805. Madame Clicquot was instrumental in establishing her champagne as one of the finest; she was crucial in the development of the *pupitre de remuage* (or riddling rack) which allows us today to enjoy translucent champagne – as compared to its less aesthetically pleasing late 18th century predecessor which presented a somewhat cloudy appearance. Canada was introduced to Veuve Clicquot champagne during the last decade of the 19th century.

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<sup>5</sup> *Id.*, at para. 33.

<sup>6</sup> *Pink Panther Beauty Corp. v. United Artists Corp.*, (1998) 3 F.C. 534 (F.C.A.) (application for leave to appeal to the Supreme Court of Canada granted on November 19, 1998 in file 26689; discontinuance filed on June 21, 1999); *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.*, (2001) 2 F.C. 15 (F.C.A.) (application for leave to appeal to the Supreme Court of Canada dismissed on July 12, 2001 in file 28376).

<sup>7</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, at para. 27.

<sup>8</sup> *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22.

<sup>9</sup> *Pink Panther Beauty Corp. v. United Artists Corp.*, (1998) 3 F.C. 534 (F.C.A.).

<sup>10</sup> *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.*, (2001) 2 F.C. 15 (F.C.A.).

<sup>11</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, at para. 1.

Ever since, it has continuously been enjoyed by connoisseurs and occasional users alike. Veuve Clicquot Ponsardin's earliest trade-mark registration was secured in Canada for one of its labels back in 1909 while a later application for the word mark VEUVE CLICQUOT was registered for champagne wines in 1980 with a claim of use of the trade-mark in Canada since at least 1899.

Defendants Boutiques Cliquot Ltée, Mademoiselle Charmante Inc. and 3017320 Canada Inc. can only claim a much younger corporate existence. They operate in the province of Quebec and in eastern Ontario a chain of mid-priced women's retail clothing stores under various trade names such as Mademoiselle Charmante, Colette, Cadance Petite and Charmante Petite.<sup>12</sup> In 1995, defendants introduced two new trade-marks, CLIQUOT and CLIQUOT "UN MONDE À PART" for six of their boutiques.<sup>13</sup> On August 20, 1996, defendant Mademoiselle Charmante Inc. applied to register the trade-marks CLIQUOT and CLIQUOT "UN MONDE À PART", both for the operation of retail clothing stores with respect of ladies' wear and accessories on the basis of use of each trade-mark in Canada since as early as March 1995. Both applications were published for opposition purposes on March 5, 1997, and absent any objection, matured to registration on August 1, 1997.

On November 5, 1998, after learning of the existence of the CLIQUOT boutiques through its Canadian agent,<sup>14</sup> plaintiff Veuve Clicquot Ponsardin instituted proceedings against the defendants before Canada's Federal Court.<sup>15</sup> Plaintiff sought an injunction to end the use of the marks CLIQUOT and CLIQUOT "UN MONDE À PART"; additionally, it requested that both the 1997 registrations of these marks be struck out.<sup>16</sup>

Plaintiff's action before the Federal Court was based on section 20 of the *Trade-marks Act* which sets out the right of the owner of a registered trade-mark to stop the use of any confusing trade-mark. The grounds for expungement were also founded on alleged confusion. Finally, plaintiff's request for an injunction was further based on section 22 of the *Trade-marks Act* which states that 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.

### III. VEUVE CLICQUOT: A FAMOUS TRADE-MARK

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<sup>12</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* (2003), 28 C.P.R. (4th) 520 (F.C.T.D.), at para. 6.

<sup>13</sup> *Id.*, at paras. 4 and 60.

<sup>14</sup> *Id.*, at para. 39.

<sup>15</sup> The Federal Court was then known as the Federal Court, Trial Division.

<sup>16</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* (2003), 28 C.P.R. (4th) 520 (F.C.T.D.), at para. 12.

The Supreme Court of Canada affirmed the finding made by the trial judge that VEUVE CLICQUOT is, in fact, a famous trade-mark.<sup>17</sup> Why then are famous trade-marks like VEUVE CLICQUOT – and other well known marks referred to by the Court, such as KLEENEX<sup>18</sup> and WALT DISNEY<sup>19</sup> – in no need of further introduction? Because over the decades and, in the case of VEUVE CLICQUOT, over the centuries, their respective owners have spent time, energy and resources to create lighthouses that survive the passing tides in our ever changing consumer world. Members of the public are irresistibly drawn to these lighthouses since in these famous trade-marks, they recognize symbols of quality, for example, a sense of reliability, or a sense of reassurance in their purchasing experience. In the Court’s view, famous trade-marks have a hold “on the public mind.”<sup>20</sup>

Trade-marks – famous or not – play an important psychological role in nudging consumers towards particular products or services. On the eve of the mid-20th century expansion of our consumer society, this important role was recognized by Frankfurter J. of the Supreme Court of the United States in *Mishawaka Rubber & Woolen Manufacturing Co. v. S.S. Kresge Co.*:<sup>21</sup>

The protection of trade-marks is the law’s recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same – to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.<sup>22</sup>

The VEUVE CLICQUOT mark certainly has “commercial magnetism”. The fact that it is famous is also important because “fame presupposes that the mark

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<sup>17</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, at para. 26.

<sup>18</sup> *Id.*, at para. 48.

<sup>19</sup> *Id.*, at para. 32.

<sup>20</sup> *Id.*, at para. 27.

<sup>21</sup> *Mishawaka Rubber & Woolen Manufacturing Co. v. S.S. Kresge Co.*, 316 U.S. 203 (1942).

<sup>22</sup> *Id.*, at page 205.

transcends at least to some extent the wares with which it is normally associated.”<sup>23</sup>

If a famous trade-mark carries a message which transcends the product or service to which it is traditionally associated, how then is one to react when a third party takes such a mark and carries it over to an area of trade different from the one through which it cultivated its fame? In other words, should this third party reap the rewards of a reputation to which it has not contributed?

Before the trial judge, plaintiff adduced evidence, which purported to show that defendants were in fact riding on plaintiff’s coattails. After reviewing the evidence, the trial judge made several findings favourable to plaintiff. She noted that while plaintiff’s registered trade-mark was VEUVE CLICQUOT,<sup>24</sup> its distinctive part was CLICQUOT, which she also described as one of plaintiff’s marks;<sup>25</sup> she found that plaintiff’s marks VEUVE CLICQUOT and CLICQUOT had significant inherent distinctiveness and deserved extensive protection; she also found that there was no other similar mark on the market in Canada;<sup>26</sup> she recognized the great degree of resemblance between the parties’ marks<sup>27</sup> as their dominant features were respectively CLICQUOT (for plaintiff) and CLIQUOT (for defendants). Finally, she made the crucial finding that plaintiff’s mark was famous.<sup>28</sup>

Two other findings made by the trial judge were noteworthy. Although plaintiff had not established that it wished to extend its marks into the fashion industry, the evidence did reveal that it had sponsored fashion events and had advertised in fashion magazines read by women, which lead the trial judge to conclude that women were targeted by the plaintiff for the consumption of its champagne.<sup>29</sup> More importantly, the trial judge found that it was plaintiff’s advertising in a fashion magazine which inspired defendants to choose the word “Cliquot” for their boutiques.<sup>30</sup>

However, plaintiff’s action was dismissed in large part due to the 1998 decision handed down by the Federal Court of Appeal in *Pink Panther Beauty*

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<sup>23</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, at para. 26.

<sup>24</sup> VEUVE CLICQUOT was one of several registered trade-marks relied upon by plaintiff; it was however the most relevant one as being the one having the greatest degree of resemblance with defendants’ marks.

<sup>25</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, (2003) 28 C.P.R. (4th) 520 (F.C.T.D.), at paras. 8, 44, 58 and 63.

<sup>26</sup> *Id.*, at para. 58.

<sup>27</sup> *Id.*, at paras. 44 and 62 to 66.

<sup>28</sup> *Id.*, at para. 75.

<sup>29</sup> *Id.*, at para. 47.

<sup>30</sup> *Id.*, at paras. 36, 37, 42, 43, 44, 63 and 64.

*Corp. v. United Artists Corp.*<sup>31</sup> which the trial judge relied upon to reject plaintiff's claim of likelihood of confusion; the likelihood of depreciation claim was also rejected.

#### IV. PINK PANTHER'S LONG SHADOW

Despite the enviable qualities which she recognized in plaintiff's marks, the trial judge concluded that plaintiff had not made its case for likelihood of confusion in the circumstances. Section 6 of the *Trade-marks Act* describes how likelihood of confusion between trade-marks is to be measured:

6. (...)

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

(...)

(5) 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.

Under section 6, likelihood of confusion requires an analysis to determine if the words or designs used by two different entities are likely to suggest the idea that the wares or services with which they are associated are produced or marketed by the same person.<sup>32</sup> This finding can be made "whether or not the wares or services are of the same general class" as stated in subsection 6(2) of the *Trade-marks Act*.

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<sup>31</sup> *Pink Panther Beauty Corp. v. United Artists Corp.*, (1998) 3 F.C. 534 (F.C.A.).

<sup>32</sup> *The Rowntree Company Limited v. Paulin Chambers Company Limited*, (1968) S.C.R. 134, at page 138.

On March 30, 1998, in *Pink Panther Beauty Corp. v. United Artists Corp.*,<sup>33</sup> an opposition case which had originated from the Trade-marks Opposition Board,<sup>34</sup> a divided Federal Court of Appeal tackled the issue as to the scope of protection to be granted to famous trade-marks in Canada when applying the test of likelihood of confusion under section 6. Because of the “connection” test which was described therein, the reasons of the majority were interpreted as downplaying the importance of the final words of subsection 6(2) by emphasizing that, even when dealing with a famous trade-mark, “where no (...) connection exists (between the parties’ areas of trade) a finding of confusion (between the parties’ trade-marks) will be rare.”<sup>35</sup> Writing for the majority, Linden J. concluded:

(46) A number of other cases have come to my attention involving famous trade-marks such as “Coca-Cola”, “Cartier” and “Wedgwood”. In each of these cases the famous mark prevailed, but in each case a connection or similarity in the products or services was found. *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.*<sup>36</sup> (Emphasis added.)

The majority decided in effect that trade-marks – and specifically famous ones – will be confusing only if a connection or link is established between the areas of trade of the litigants. Owners of famous trade-marks were therefore invited to establish a connection between their areas of trade and the field to which newcomers had carried their famous symbols, should they wish to succeed against infringers.

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<sup>33</sup> *Pink Panther Beauty Corp. v. United Artists Corp.*, (1998) 3 F.C. 534 (F.C.A.) where United Artists Corporation, owner of the famous trade-mark THE PINK PANTHER (associated to the comedy films with Peter Sellers as Inspector Clouseau), was unsuccessful before the Federal Court of Appeal in its opposition against the registration of the trade-mark PINK PANTHER for hair care and beauty product supplies and the operation of a business dealing in their distribution. The majority made the following finding at para. 50: “(...) the issue to be decided is not how famous the mark is, but whether there is a likelihood of confusion in the mind of the average consumer between United Artists’ mark and the one proposed by the appellant with respect to the goods and services specified. That question must be answered in the negative. There is no likelihood of confusion as to the source of the products. *The key factor here is the gaping divergence in the nature of the wares and in the nature of the trade. It is not a fissure but a chasm.*” (Emphasis added.)

<sup>34</sup> In an opposition case, such as the one in *Pink Panther Beauty Corp.*, the applicant must establish its right to registration; in an infringement case, such as the one in *Veuve Clicquot Ponsardin*, the onus is on plaintiff to prove likelihood of confusion.

<sup>35</sup> *Pink Panther Beauty Corp. v. United Artists Corp.*, (1998) 3 F.C. 534 (F.C.A.), at para. 51.

<sup>36</sup> *Id.*, at para. 46 – citations omitted.

In his dissent, McDonald J. wrote that it was naive to believe that a newcomer's decision to use a famous trade-mark was not deliberate or unrelated to the mark's fame; under the circumstances, seeing words – such as PINK PANTHER – would leave the average consumer wondering if the owner of the famous trade-mark was the promoter behind these new products.<sup>37</sup>

By looking for a connection between the areas of trade before a finding of confusion can be made, the majority in *Pink Panther Beauty Corp.* was seen as having created a pre-condition to a finding of confusion while Parliament clearly stated that the parties' areas of trade should not be a controlling factor when appreciating likelihood of confusion, in light of the wording of subsection 6(2) *in fine* of the *Trade-marks Act*. This was highlighted by learned author Daniel R. Bereskin who wrote: "By demanding that there must be some similarity between the wares or services of the competing traders *before* a finding of confusion may be made, the Court of Appeal risks transforming a non-determinative factor into a necessary pre-condition."<sup>38</sup>

What was seen as a risk morphed into reality when the trial judge in *Veuve Clicquot Ponsardin* analyzed the principles of *Pink Panther Beauty Corp.* and wrote in her reasons about the findings made in that case: "The Court found no connection between the parties' products and services, and consequently held that there was no risk of confusion."<sup>39</sup> In the trial judge's view, the absence of connection between the parties' areas of trade in *Pink Panther Beauty Corp.* consequently lead to a finding of absence of likelihood of confusion. This emphasis in looking for a "connection" is surprising considering Parliament's clear intent to set aside the areas of trade as a controlling factor in determining likelihood of confusion.

In order to fully appreciate the now diminished importance of the criteria relating to parties' areas of trade when assessing likelihood of confusion under section 6, one must turn to the legal test applicable to the issue under the legislative framework which existed prior to the coming into force of the current *Trade-marks Act* on July 1, 1954.

For example, in the 1949 case of *Dastous v. Mathews-Wells Company Limited*,<sup>40</sup> the Supreme Court of Canada reviewed the provisions of *The Unfair*

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<sup>37</sup> *Id.*, at para. 71.

<sup>38</sup> Frederick W. Mostert, *Famous and Well-Known Marks*, 2nd ed., International Trademark Association, New York, 2004, at pages 4-117 and 4-118 where Daniel R. Bereskin analyses the situation in Canada.

<sup>39</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* (2003), 28 C.P.R. (4th) 520 (F.C.T.D.), at para. 78.

<sup>40</sup> *Dastous v. Mathews-Wells Company Limited*, (1950) S.C.R. 261.

*Competition Act, 1932*<sup>41</sup> (the antecedent statute to the current *Trade-marks Act*). The Court had to decide whether the Exchequer Court<sup>42</sup> had correctly decided to order a defendant from using the word “ROSIE” in association with canned chicken at the request of a trader who sold jams, jellies, pickles, sauces and vinegar in association with the trade-mark ROSE BRAND. In his reasons, Rinfret C.J. reproduced the relevant provisions and definitions of *The Unfair Competition Act, 1932* relied upon by plaintiff:

3. No person shall knowingly adopt for use in Canada in connection with any wares any trade mark or any distinguishing guise which

(a) is already in use in Canada by any other person and which is registered pursuant to the provisions of this Act as a trade mark or distinguishing guise *for the same or similar wares*;

\* \* \* \* \*

(c) is similar to any trade mark or distinguishing guise in use, or in use and known as aforesaid.

(...)

“Similar”, in relation to trade marks, \* \* \* is meant to describe marks, names or guises so resembling each other or so clearly suggesting the idea conveyed by each other that the contemporaneous use of both in the same area in association *with wares of the same kind*, would be likely to cause dealers in and/or users of such wares to infer that the same person assumed responsibility for their character or quality, for the conditions under which or the class of persons by whom they were produced, or for their place of origin.

(...)

“*Similar*” in relation to wares, describes categories of wares which, *by reason of their common characteristics* or of the correspondence of the classes of persons by whom they are ordinarily dealt in or used, or of the manner or circumstances of their use, would, if in the same area they contemporaneously bore the trade mark or presented the distinguishing guise in question, be likely to be so associated with each other by dealers in and/or users of them as to cause such dealers and/or users to infer that the same person assumed responsibility for their character or

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<sup>41</sup> *The Unfair Competition Act, 1932*, 22-23 George V, c. 38.

<sup>42</sup> The Exchequer Court was the predecessor of Canada’s current Federal Court; the latter was created by the coming into force of the *Federal Court Act*, R.S.C. 1970 (2nd Supp.), c. 10 and the subsequent *Courts Administration Service Act*, S.C. 2002, c. 8. For its part, the Exchequer Court was created by the coming into force of *An Act to establish a Supreme Court and a Court of Exchequer for the Dominion of Canada*, S.C. 1875, 38 Vict., c. 11.

quality, for the conditions under which or the class of persons by whom they were produced, or for their place of origin.<sup>43</sup> (Emphasis added.)

The Supreme Court allowed the appeal and ordered the dismissal of plaintiff's action while highlighting the fact that the parties' respective products were not "similar". In his reasons, the Chief Justice wrote:

(...) and it seems to be quite clear that although the wares of both parties may be classified as coming under the general category of "food", it cannot be held that if the respondent holds trade marks for the particular articles of food, to which Counsel for the respondent has himself limited the validity of the trade marks, to wit, jams, jellies, pickles, sauces and vinegar, it can come before the Courts to ask them to exclude the appellant from using a trade mark, even if it has the same characteristics as the trade mark of the respondent, to be used in connection with different articles of food, to wit, canned chicken products in which the appellant deals alone. They are not wares of the same kind as required by the definition of "similar" (...).<sup>44</sup>

Under *The Unfair Competition Act, 1932*, Parliament's choice to limit the protection of trade-marks to products to which a mark was associated and to "similar" wares reflected its concern that unless these constraints were in place, too much material would be drained from the pool of available trade-marks. Under *The Unfair Competition Act, 1932*, identical trade-marks could be used by two different owners as long as their respective products were not "of the same kind". It could be argued, however, that this approach underestimated both the resources of Canada's national languages (English and French)<sup>45</sup> and human creativity.

The *Report of Trade Mark Law Revision Committee to the Secretary of State of Canada* (the "Report") of January 20, 1953 (the drafting of which preceded the current *Trade-marks Act*) drove home the point and cautioned against maintaining the requirement of having wares "of the same kind" in order to find confusion. According to the learned authors of the *Report*, trade-mark legislation should protect the public against confusion as to the source of products and services; it should not be concerned with the apprehended drying up of the pool of available trade-marks:

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<sup>43</sup> *Dastous v. Mathews-Wells Company Limited*, (1950) S.C.R. 261, at pages 267 and 268.

<sup>44</sup> *Id.*, at pages 270 and 271.

<sup>45</sup> The bilingual nature of Canada is now enshrined in the *Canadian Charter of Rights and Freedoms*, s. 16 which is part of the *Constitution Act, 1982*, which came into force on April 17, 1982.

There has long been a feeling throughout the commercial world that the ambit of protection accorded to trade marks was too narrow and restricted. (...) Thus, the owner of the trade mark "Quaker" – well known in its application to breakfast food – could only complain of its use by another on wares of a similar or related character. This concept springs from the theory that adoption of a trade mark withdraws something from the pool or fund of trade mark material available for use by the public. It has, however, gradually come to be recognized that this concept tends to minimize the resources of the English and French languages as well as of the designing ingenuity of man. Some trade marks are so well known that the use of the same or similar trade marks on any wares of any kind would cause the general purchasing public to believe that the original user and owner of the trade mark was in some way responsible for the wares to which the use of the mark has been extended. An example of this type of mark – and the example may be multiplied – is the well known trade mark "Kodak". It has been used by its owner on photographic materials and equipment and is, of course, entitled to full protection in that field. But it must be recognized that the use by any other person of the trade mark "Kodak" on any wares of any kind would tend to the conclusion that they were in some way associated with the photographic company, thus conducing to the deception of the purchasing public and the depreciation of the reputation and goodwill of that company. (...)<sup>46</sup>

The adoption of subsection 6(2) of the *Trade-marks Act* confirmed Parliament's intent in 1954 to craft a test of confusion based on the impression that is likely to be created by the simultaneous use of two trade-marks in the same area as to the source of products or services associated with these trade-marks, irrespective of the parties' areas of trade. When the trial judge in *Veuve Clicquot Ponsardin* referred to the facts of *Pink Panther Beauty Corp.* where the majority found noteworthy that "(s)hampoo is not sold in movie theatres or video stores" and "(v)ideos are not available in beauty parlours"<sup>47</sup> and thereafter concluded that the Federal Court of Appeal in that case "found no connection between the parties' products and services, and consequently held that there was no risk of confusion",<sup>48</sup> it can be argued that what she applied was a test of confusion based on similarities in areas of trade, a test which Parliament chose to set aside in 1954.

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<sup>46</sup> *Report of Trade Mark Law Revision Committee to the Secretary of State of Canada*, January 20, 1953, reproduced in Harold G. Fox, *The Canadian Law of Trade Marks and Unfair Competition*, vol. 2, 2nd ed., Toronto, The Carswell Company Limited, 1956, at page 1163.

<sup>47</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* (2003), 28 C.P.R. (4th) 520 (F.C.T.D.), at para. 78.

<sup>48</sup> *Id.*

The real test of likelihood of confusion (to restate the facts of *Pink Panther Beauty Corp.* referred to by the trial judge) is not to determine whether shampoo is or is not sold in movie theatres or whether videos are available or not in beauty parlours; rather it should be to examine the impression created with members of the public by a newcomer who adopts the distinctive characteristics of a famous trade-mark and carries them over to its own field of trade.

Moreover, the protection of famous trade-marks was of concern to the drafters of the current *Trade-marks Act* when they devised the test of likelihood of confusion under section 6. The test was tailored to provide protection to any given mark; however, this protection was intended to be proportional to a mark's degree of fame. According to Christopher Robinson, Q.C., one of the learned authors of the *Report*, the test of likelihood of confusion under section 6 is not concerned with finding a connection between areas of trade; the learned author underlined the point in 1959 in a review of the then relatively new features of the *Trade-marks Act*:

Although in the abstract there might be said to be no similarity, for instance, between soft drinks and ashtrays, nevertheless the public might well conclude that COCA ROLA ashtrays had something to do with the soft drink COCA-COLA, though the public might come to no such conclusion in the case of a little known soft drink sold under the trade mark AJAX and ashtrays sold under the trade mark ADAX. (...)

All trade marks have a certain degree of fame, and examples can be brought to mind of all degrees from slight to great. Hence, it seemed to the draftsmen of the Canadian Act that there should be a single basic formula for all trade mark comparisons which, as in an algebraic formula, will give different results depending on the particular values given in different cases to the factors composing it.<sup>49</sup>

Because the *Trade-marks Act* did not have the restrictions of *The Unfair Competition Act, 1932* when appreciating the likelihood of confusion, the requirement that a connection between areas of trade be established if a finding of likelihood of confusion is to be made is all the more puzzling. It is within this context that the Supreme Court of Canada considered the statutory requirements for the test of likelihood of confusion in *Veuve Clicquot Ponsardin*.

## V. WHAT THE SUPREME COURT OF CANADA DECIDED

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<sup>49</sup> Christopher Robinson, Q.C., "The Canadian Trade Marks Act of 1954 - A Review of Some of its Features" (1959), 32 C.P.R. 45, at page 53.

### **A. The Likelihood of Confusion Claim**

At the outset, Binnie J. agreed that the search for a connection outlined in *Pink Panther Beauty Corp.* put too much emphasis on the similarities and dissimilarities in “the nature of the wares, services or business” – *i.e.* the circumstances described in paragraph 6(5)(c) of the *Trade-marks Act* – and to that extent strayed from the statutory “all the surrounding circumstances” test.<sup>50</sup> In the companion *Mattel* case, Binnie J. wrote that the “exceptional circumstances... if ever” test outlined at paragraph 46 of the majority’s reasons in *Pink Panther Beauty Corp.*, quoted *supra*, puts the bar too high and may be seen as an attempt to impose rigidity where none exists.<sup>51</sup> Therefore, if the result of the use of a new trade-mark would be to introduce confusion in the market place, this should not be allowed “whether or not the wares or services are of the same general class”, pursuant to subsection 6(2). According to the Supreme Court, the correct test was stated by the majority in *Pink Panther Beauty Corp.* when it wrote at paragraph 33: “The totality of the circumstances will dictate how each consideration should be treated”; moreover, the portion of the reasons in *Pink Panther Beauty Corp.* requiring a “connection” between areas of trade in order to establish likelihood of confusion were only *dicta* and should therefore not be followed.<sup>52</sup>

Clarification of the *Pink Panther Beauty Corp.* test did not, however, help plaintiff Veuve Clicquot Ponsardin in its own case; the Supreme Court affirmed the trial judge’s overall assessment of the situation and Binnie J. concluded that she correctly weighed the competing factors when she wrote:

(75) Subsection 6(5) of the Act provides that a court should look at all the relevant factors listed and make a decision which takes each one appropriately into account. Although I have found that the mark “Clicquot” is well known and unique, and deserves extensive protection, that is not conclusive. 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.<sup>53</sup>

Although the Supreme Court disagreed with the trial judge’s search for a “connection” between champagne and women’s fashion – and despite plaintiff’s evidence which purported to establish such connection *i.e.* the

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<sup>50</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, at para. 27.

<sup>51</sup> *Mattel, Inc. v 3894207 Canada Inc.*, 2006 SCC 22, at para. 63.

<sup>52</sup> *Id.*, at paras. 63, 67 and 71.

<sup>53</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* (2003), 28 C.P.R. (4th) 520 (F.C.T.D.), at para. 75.

advertising of plaintiff's products in fashion magazines directed at women and the sponsorship of fashion shows – it nonetheless stated that the evidence did not reveal that the VEUVE CLICQUOT mark would be associated by ordinary consumers with mid-priced women's clothing. With this key finding, the Court dismissed plaintiff's appeal.

While having set aside the search for a "connection" between areas of trade when applying the likelihood of confusion test, the Supreme Court seems to have crafted a new test, at least when dealing with famous trade-marks, namely whether a famous mark would be associated by ordinary consumers to the newcomer's area of trade.

Examination of the senior user's mark and its aura appears to be a departure from the traditional approach as to the assessment of likelihood of confusion where attention is usually directed to the impression left by the newcomer's mark. For example, in 1967, in *The Rowntree Company Limited v. Paulin Chambers Company Limited*,<sup>54</sup> the Supreme Court of Canada stated that when appreciating likelihood of confusion, emphasis should be placed on the newcomer's mark. Thus, in a case where the owner of the SMARTIES trade-mark for confectionery opposed registration of the word SMOOTHIES for similar wares, the Supreme Court concluded that it was the newcomer's mark which merited attention to determine whether it was likely to suggest that its wares would be associated with the senior user:

(...) I am, as I have stated, of opinion that the essential question to be determined *is whether the use of the word SMOOTHIES by the respondent would be likely to lead to the inference that the wares associated with that word and those associated with the registered trade marks of the appellant were produced or marketed by the same company and I do not think that this necessarily involves a resemblance between the dictionary meaning of the word used in the trade mark applied for and those used in the registered trade marks. It is enough, in my view, if the words used in the registered and unregistered trade marks are likely to suggest the idea that the wares with which they are associated were produced or marketed by the same person.*<sup>55</sup> (Emphasis added.)

Another example confirming that emphasis should usually be placed on the newcomer's mark is found in the U.S. case of *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*<sup>56</sup> which was referred to by Binnie J. in his reasons.

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<sup>54</sup> *The Rowntree Company Limited v. Paulin Chambers Company Limited*, (1968) S.C.R. 134.

<sup>55</sup> *Id.*, at page 138.

<sup>56</sup> *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979).

In *Dallas Cowboys Cheerleaders*, where the newcomer had used for its pornographic film “costumes” which reproduced the trade-mark indicia owned by the senior user’s cheerleading squad, the United States Court of Appeal, Second Circuit, assessed confusion by examining what the newcomer’s mark suggested, not by requiring that the senior user’s mark be known in the newcomer’s field:

The public’s belief that the mark’s owner sponsored or otherwise approved the use of the trademark satisfies the confusion requirement. In the instant case, the uniform depicted in “Debbie Does Dallas” unquestionably brings to mind the Dallas Cowboys Cheerleaders. Indeed, it is hard to believe that anyone who had seen defendant’s sexually depraved film could ever thereafter disassociate it from plaintiff’s cheerleaders.<sup>57</sup>

It was not suggested by the United States Court of Appeal that the test for confusion should be whether the Dallas Cowboys Cheerleaders’ trade-mark indicia would be associated by consumers with pornographic films.

However, a possible rationale for the special attention that must be given to a senior user’s famous trade-mark when examining the issue of likelihood of confusion may simply be the Supreme Court’s acknowledgement of the varying degrees of fame which different individual trade-marks may claim and the difficulty in crafting a “one size fits all” test for famous trade-marks. Some trade-marks may be famous for a wide range of products to virtually all members of the consuming public; others may be famous only within a circle of connoisseurs in a particular field; others are universally famous but only in association with a specific product. Binnie J. described the situation in the following terms:

(32) (...) 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.<sup>58</sup>

In the companion *Mattel* case, Binnie J. also emphasized the point:

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<sup>57</sup> *Id.*, at page 205.

<sup>58</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, at para 32.

(70) (...) The jurisprudence is clear that different factors may be given different weight in different situations. For example, Professor Mostert points out that

Collectors of engraved, high quality shotguns may, for instance, be few and far between in any given country but the PURDEY mark is undoubtedly exceptionally well-known among the circle of such shotgun cognoscenti.

(F.W. Mostert, *Famous and Well-Known Marks: An International Analysis* (1997), at p. 26).

Even so, I doubt that even the *cognoscenti* would think the world famous shotgun specialist is likely associated with the well-known Vancouver purveyor of chocolates, such is the divergence in the type of wares and channels of trade.<sup>59</sup>

If one is correct in recognizing that individual trade-marks have different degrees of fame, as learned author Robinson wrote nearly half a century ago, *supra*, then one must agree that differences in degrees of fame will warrant a treatment adapted accordingly when assessing likelihood of confusion. This is why when deciding such an issue, the Supreme Court appears to have required that special attention be given to the famous trade-mark – and what type of fame it can claim – when analyzing likelihood of confusion.

If it is clear that there is no longer any need to look for a “connection” between areas of trade in the protection of famous trade-marks, owners of famous trade-marks – and attorneys representing them – should be mindful that evidence concerning a famous trade-mark’s specific aura – and its association to the newcomer’s field of trade – should now be contemplated in order to meet what seems to be the new criteria set out by the Supreme Court in *Veuve Clicquot Ponsardin*.

### ***B. The Likelihood of Depreciation Claim***

In addition to its claim of likelihood of confusion, plaintiff Veuve Clicquot Ponsardin also raised the issue of likelihood of depreciation under section 22 of the *Trade-marks Act* which reads in part:

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<sup>59</sup> *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, at para. 70.

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

Plaintiff's most relevant trade-mark registration was for VEUVE CLICQUOT while defendants used the trade-marks CLIQUOT and CLIQUOT "UN MONDE À PART". Over the decades since its introduction on July 1, 1954, there had been much debate as to whether section 22 required that a defendant use a trade-mark *identical* to the one registered by a plaintiff in order for it to find application.<sup>60</sup> The Supreme Court has now settled this issue and indicated that defendant's trade-mark need not be identical but only "sufficiently similar."<sup>61</sup>

As for the test itself under section 22, the Supreme Court indicated that plaintiff need only show that defendants had 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 plaintiff's mark.<sup>62</sup> As to the scope of a claim under section 22, the Court endorsed the views of authors who had written contemporaneously to the coming in force of the *Trade-marks Act*:

(39) 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

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<sup>60</sup> For example, in *Les Rôtisseries Saint-Hubert Ltée v. Le Syndicat des travailleurs(euses) de la Rôtisserie Saint-Hubert de Drummondville (C.S.N.)*, (1987) R.J.Q. 443 (S.C., Montreal) (appeal launched before the Quebec Court of Appeal in file 500-09-000068-874 on January 19, 1987; discontinuance filed on February 20, 1987), Lesyk J. of the Quebec Superior Court considered that defendant must use a trade-mark identical to the one registered by plaintiff for section 22 to apply, while in *Compagnie Générale des Établissements Michelin-Michelin & Cie v. National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW-Canada)*, (1997) 2 F.C. 306 (F.C.T.D.) (appeal launched before the Federal Court of Appeal in file A-38-97 on January 17, 1997; discontinuance filed on November 12, 1997), Teitlebaum J. of the Federal Court held that an infringer did not have to use a trade-mark identical to the registered mark to likely cause depreciation to its goodwill.

<sup>61</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, at para. 38.

<sup>62</sup> *Id.*

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)

(40) Dr. Fox himself commented on the new depreciation remedy in the 1956 edition of his text *The Canadian Law of Trade Marks and Unfair Competition*, (2nd ed. 1956), Vol. 1, noting that s. 22 addressed

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

. . . Where a well known trademark is taken by another for use in association with wares. . . in the course of time, and with repeated use, the trade mark diminishes in value just as it diminishes in distinctiveness. (Emphasis added; p. 508.)<sup>63</sup>

Moreover, the Court outlined the four elements which must be established if a section 22 claim is to be allowed:

1. A claimant's registered trade-mark was used by a defendant in connection with wares or services – whether or not such wares or services are competitive with those of the claimant;
2. The claimant's registered mark is sufficiently well known to have significant goodwill attached to it – although it need not be famous;
3. The claimant's mark was used in a manner *likely* to have an effect on the goodwill (*i.e.* linkage by consumers between the claimant's goodwill and a defendant's use);
4. The *likely* effect would be to depreciate the value of the goodwill attached to the trade-mark (*i.e.* damage).<sup>64</sup>

Binnie J. affirmed the trial judge's findings that plaintiff's section 22 claim had not been made out. The plaintiff had led evidence that "CLICQUOT" was the most distinctive part of the VEUVE CLICQUOT mark and this was recognized by the trial judge; she held however that a consumer who saw the word "CLICQUOT" used in defendants' stores would not make any link or connection with plaintiff's mark.<sup>65</sup>

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<sup>63</sup> *Id.*, at paras. 39 and 40.

<sup>64</sup> *Id.*, at para. 46.

<sup>65</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* (2003), 28 C.P.R. (4th) 520 (F.C.T.D.), at para. 96. The trial judge dismissed plaintiff's section 22 claim without discussing whether

According to the Supreme Court, who affirmed the trial judge's finding, plaintiff's claim under section 22 failed at the first element of the test: VEUVE CLICQUOT was not "sufficiently similar" to CLIQUOT in that a consumer being acquainted with defendants' mark would not recognize plaintiff's registered mark; therefore, defendants were not making use of plaintiff's registered mark *i.e.* VEUVE CLICQUOT. In other words, the mental association between the newcomer's mark and the one registered by the senior user was missing in this case.<sup>66</sup> Had plaintiff's registered mark been the single word CLICQUOT, the Court suggested that the first element of the test would have been satisfied<sup>67</sup> (as CLIQUOT could be considered "sufficiently similar" to CLICQUOT). Finally, as these circumstances demonstrate, marks can have a great degree of resemblance, as here, *supra*, when one considers the issue of likelihood of confusion, but can still not be "sufficiently similar" for a section 22 claim.

## VI. CONCLUSION

In *Veuve Clicquot Ponsardin*, the Supreme Court of Canada has set aside the most controversial passages found in *Pink Panther Beauty Corp.*, namely those requiring that a "connection" be established between areas of trade in order for likelihood of confusion to be established. When likelihood of confusion is to be examined – including any situation involving a famous trade-mark – consideration should be given to all the surrounding circumstances, from which the trial judge must then weigh various competing factors. Moreover, because famous trade-marks do not come in one size, as Binnie J. wrote,<sup>68</sup> consideration must be given to the famous trade-mark's aura to determine whether consumers will associate the famous trade-mark to a newcomer's field of trade. However, with its emphasis upon the examination of the senior user's mark, time will tell if this new test will limit in its own way the protection of famous trade-marks in Canada.

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defendant Mademoiselle Charmante Inc.'s registrations for the trade-marks CLIQUOT and CLIQUOT "UN MONDE À PART" constituted an answer to plaintiff's claim (considering that plaintiff had not made its case for confusion and was therefore not able to obtain expungement of those two registrations). On this issue, the Supreme Court wrote at para. 16 that registration is no answer *if the validity of the registration is put at issue by plaintiff* – which was done here. As plaintiff was not successful in obtaining expungement and the defendant's registrations remained valid, it appears that plaintiff's section 22 claim would have been dismissed for this additional reason, namely that defendants were shielded by Mademoiselle Charmante Inc.'s valid registrations (see, however, the comments of Linden J. in *Pink Panther Beauty Corp.*, at para. 55, on the limits of registration as a "shield").

<sup>66</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, at para. 49.

<sup>67</sup> *Id.*, at para. 48.

<sup>68</sup> *Id.*, at para. 32.

Although plaintiff Veuve Clicquot Ponsardin was unsuccessful in its own claim, the attention given to famous trade-marks by the Supreme Court of Canada ultimately demonstrates a continuing concern, namely that consumer confusion must be avoided. This must be achieved, whether or not the parties' wares or services are of the same general class, as Parliament wisely legislated more than fifty years ago.

**ROBIC** + LAW  
+ BUSINESS  
+ SCIENCE  
+ ART

