

OVERVIEW OF TRADE-MARKS LITIGATION IN CANADA INFRINGEMENT, PASSING OFF AND DEPRECIATION OF GOODWILL

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I – JURISDICTION: federal vs. provincial courts

a) Concurrent jurisdiction:

As a general principle, infringement, passing off and depreciation of goodwill actions can be instituted before either the provincial Superior Courts or the Federal Court of Canada. This is where the Superior Courts and the Federal Court have concurrent jurisdiction.

Under the Canadian constitution, the Superior Courts are courts of original general jurisdiction; they have an inherent jurisdiction to hear all matters except those matters which by statutes have been granted exclusively to other courts or tribunals.

On the other hand, the Federal Court is a court created by statute (Federal Courts Act R.S.C., 1985, c. F-7, s. 1; 2002, c.8, s.14), it can only hear matters that have been specifically given to it by statute. It has no inherent jurisdiction as provincial Superior Courts do.

The Federal Court's Act, under s.20, does grant to the Federal Court jurisdiction to entertain cases respecting trade-marks. Furthermore, this jurisdiction of the Federal Court is confirmed by the provisions of s.52 and s.55 of the *Trade-Marks Act* (R.S.C. 1985, c.T-13).

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The advantage of going before the Federal Court versus a Superior Court of a province lies in the fact that the Federal Court has one judicial district which is the whole of Canada. The Federal Court exercises its jurisdiction over all persons (companies and individuals) irrespective of where they reside in Canada or where they have assets in Canada or where the cause of action arose in Canada. Generally speaking, a Superior Court of a province has jurisdiction over persons residing in the province or having assets in the province or over subject matters where the cause of action arose in the province.

This statement has however to be qualified. A Superior Court can issue an injunction order enjoining a defendant over which it exercises jurisdiction, from doing something in another province. For instance, the Superior Court of the province of Quebec can issue an order enjoining a company residing in the province of Quebec from using a trade-mark in the province of Ontario.

b) Jurisdiction of the Superior Court of a province:

Section 52 of the *Trade-Marks Act* states that in s. 53 to s. 53.3 of the *Trade-Marks Act*, "Court" means the Federal Court or the Superior Court of a province.

We will see later that the reliefs under the *Trade-Marks Act* are provided for under s. 53.2, which is one of the sections covered by s. 52 of the *Trade-Marks Act*. This means that a court such as the "Cour du Québec" (Quebec Court) or a County Court, a District Court or other provincial courts do not have jurisdiction to hear recourses under the *Trade-Marks Act*.

c) Exclusive jurisdiction of the Federal Court:

Section 20(1) of the *Federal Court's Act* grants to the Federal Court exclusive original jurisdiction, between subject and subject as well as otherwise, in all cases of conflicting applications for the registration of any trade-mark and in all cases in which it is sought to have any entry in any register of trade-marks made, expunged, varied or rectified.

Some provisions of the *Trade-Marks Act* also grant to the Federal Court an exclusive jurisdiction. In this way, the *Federal Court's Act* and the *Trade-Marks Act* are withdrawing from the Superior Courts of the provinces the jurisdiction to hear specific matters under the *Trade-Marks Act*. These provisions of the *Trade-Marks Act* are found at sections 56 and 57.

i) Section 56 - Appeal:

Section 56 grants to the Federal Court the exclusive right to hear appeals of any decision of the Registrar. This is a jurisdiction which is not shared with the Superior Courts. The word "exclusive" is not mentioned in s. 56, but the words "used" leave no room for an appeal to be made to the Superior Courts of the provinces.

ii) Section 57 - Striking out or amending entries on the register:

Section 57 on the other hand does grant exclusive original jurisdiction to the Federal Court that any entry in the Register be struck or amended.

For instance, a claim under s. 18, to have a registration declared invalid, can be brought before either the Superior Courts or the Federal Court. However, any declaration of invalidity made by a Superior Court will only have effect between the parties and will not be reflected on the Register. If a party in litigation wishes to have an order to expunge or amend a registration, it has to take its recourse before the Federal Court.

II – KEY CAUSES OF ACTION

A) Infringement:

a) Section 19 Exclusive rights conferred by registration

1) Purpose:

Section 19 gives to the owner of a trade-mark registered with respect to particular wares or services the statutory right to its exclusive use across Canada in respect of such wares or services. This section is one of the corner stones of the *Trade-Marks Act*.

2) Persons entitled to sue:

The following persons may sue for infringement of a registered trade-mark:

- The registered owner,
 - The unrecorded assignee of a registered trade-mark (see section 48),
- and

- The licensee when the owner refuses to take legal action or when authorised to do so under the licence agreement (see s. 50(3)).

3) Ambit of protection:

If section 19 is to be relied on by itself, the following essential conditions must be established:

3.1 The existence of the registration of the trade-mark:

3.1.1. Pursuant to s. 54(3) of the *Trade-Marks Act*, a certified copy of the registration of a trade-mark is *prima facie* evidence of the fact set forth therein. Accordingly, after the filing of a certified copy of the registration before any competent court, the burden to show that the registration is invalid lies on the challenging party. Additionally, production of the certified copy of the registration relieves the owner (except in the case where the owner is an unrecorded assignee) from proving his or her ownership. However, the "registration of a trade-mark does not give the registrant any better title than it might have had without registration". (See *Waxoyl AG v. Waxoyl Canada Ltd.* (1982), 38 O.R. (2d) 672 at 681).

3.2 Use (within the meaning of s.4) by the infringing party of a trade-mark:

3.2.1 Use in association with wares is deemed to have occurred under s. 4(1) of the *Trade-Marks Act* if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the other person to whom the property or possession is transferred.

(See *Pro-C Ltd. v. Computer City Inc.* (2001), 14 C.P.R. (4th) 441.)

"The first error of the trial Judge was in using section 19 of the Act as the foundation of his reasoning. That section reads: (...).

This section clearly refers to the use in Canada of the trade-mark in association with the wares or services described in the trade-mark registration. The computer hardware being sold by the appellant was not sold in Canada and cannot be considered as "computer programs used to generate programs for Windows" (the description in the

respondent's trade-mark registration). Thus, before even considering "use", section 19 has no application to the facts of this case".

3.2.2 Use in association with services deemed to have occurred:

Section 4(2) states that a trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.

(See Porter v. Don The Beachcomber (1966), 48 C.P.R. 280)

"I shall therefore hold that use in "Canada" of a trade-mark in respective services is not established by mere advertising of the trade-mark in Canada coupled with performance of services elsewhere but requires that the services be performed in Canada and that the trade-mark be used or displayed in the performance or advertising in Canada of such services".

3.2.3 Definition of use under section 2:

In addition to s. 4 of the Trade-Marks Act, reference should also be made to s. 2 definition of use which reads as follows: "Use", in relation to a trade-mark, means any use that by s. 4 is deemed to be a use in association with wares or services". Therefore, s. 4 states exhaustively the manner in which a trade-mark will be considered to have been used under the Trade-Marks Act".

3.3 The trade-mark being used must be identical (same word/same design to the registered trade-mark):

(See Standard Knitting Ltd. v. Toyota Jidosha kabushiki Kaisha, 8 C.P.R. (4th) 285). This was a motion for summary judgment of an action for trade-mark infringement under section 19. It was held that given the difference between the plaintiff's mark and the defendant's composite mark... the motion for summary judgment was dismissed.

3.4 Use of the trade-mark in association with identical wares or services:

(See Illico Communication Inc. v. Videotron Ltée (2004) R.J.Q. 2579 (Que. S.C.)). It was stated that if the Defendant impugned trade-mark is

different than the plaintiff's registered trade-mark or if it is used in association with wares or services that the certificate or registration does not cover, a plaintiff cannot succeed.

(See *Lovable Brassière Co. of Canada Ltd. v. Lovable Knits Inc.* (1971) 1, C.P.R. (2d) 128). Section 19 of the Trade-Marks Act gives the owner (of the trade-mark) the exclusive right to use his trade-mark throughout Canada (only) in respect of wares in association with which it is registered.

If one of the conditions in 3.1, 3.2, 3.3 or 3.4 is not established, section 19 cannot be relied on. However, a recourse under section 20 of the trade-mark Act may be possible.

ii) Section 20 deemed infringement:

1) Purpose:

Subsection 20(1) deems that the exclusive rights granted to the register owner under section 19, are infringed in certain circumstances, subject to exceptions mentioned in subsection 20(1)(a) and (b) and in subsection 20(2).

In accordance with section 6(5) all the surrounding circumstances have to be taken into consideration by the courts or the Registrar in order to decide if trade-marks or trade names are confusing, including those circumstances specifically listed.

2) General:

We saw that the owner may restrain the unauthorized use of its registered trade-mark. Now, we will see that the owner may also restrain the unauthorized use of a trade-mark or a trade name which is confusing with its registered trade-mark.

Section 6(5) sets out the main guidelines to be followed by the courts and the Registrar in order to determine if confusion exists. While five criteria have been stated, they are not exhaustive. All the surrounding circumstances have to be considered and their evaluation remains a question of fact to be determined on the merits of each case.

3) Ambit of protection:

If section 20(1) is to be relied on, the following five essential elements must be established:

- The existence of the registration of the trade-mark;
- The sale, distribution or advertisement;
- Of any wares or services;
- In association with a confusing trade-mark or trade name;
- By a person (infringing party) not entitled under the Act to the use of the registered trade-mark.

4) Confusion:

4.1 Sections 6(1) to 6(4) of the Trade-Marks Act:

Sections 6(1) to 6(4) establish the conditions in the light of which the courts or the Registrar will consider whether the use of trade-marks or trade names gives rise to confusion. Wherever the word "confusing" in relation to trade-marks or trade names is used in the Act, reference must be made to section 6. In section 2 of the Trade-Marks Act, the word "confusing" is defined as follows:

"When applied as an adjective to a trade-mark or trade name, means a trade-mark or trade name the use of which would cause confusion in the manner and circumstances described in section 6.

4.2 General:

- i) Section 6(1) deals with the use of a trade-mark or trade name causing confusion with a trade-mark or trade name.
- ii) Section 6(2) deals with the use of a trade-mark causing confusion with another trade-mark.
- iii) Section 6(3) deals with the use of a trade-mark causing confusion with a trade-name.
- iv) Section 6(4) deals with the use of a trade name causing confusion with a trade-mark.

4.3 Test for confusion:

The test to be applied under sections 6(2), 6(3) and 6(4) is the same. The test is whether the use of trade-marks or trade names in the same area would be likely to lead to the inference in the mind of the consumers that the wares, services or businesses have a related or common source. It is not necessary that actual confusion be proven; it is sufficient to establish a likelihood of confusion.

If by reason of the similarity between trade-marks or trade names, a connection between two persons is inferred, which in fact does not exist, then, the trade-marks or trade names are confusing.

The existence of a likelihood of confusion is a matter of first impression and not a matter of close scrutiny; for instance, trade-marks or trade-names are not to be placed side by side to compare their components.

Section 6(5) states non-exhaustively what should be considered to determine whether trade-marks or trade names are confusing. The general principle is that confusion is determined having regard to all the surrounding circumstances. Examples of circumstances to be considered are the following:

- 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.

4.4 Onus to establish confusion:

In opposition proceedings, the onus lies with the applicant to prove that confusion is unlikely. On the other hand, in infringement (or expungement) proceedings, the onus to prove confusion lies with the party alleging confusion.

4.5 Determination of confusion:

The courts or the Registrar should put themselves in the place of an average purchaser having an imperfect recollection of the trade-marks or trade names being compared. The trade-marks or trade names should be considered in their entirety and their degree of resemblance should be considered from the point of view of the appearance, sound and idea suggested. Due to the low distinctiveness of words of common usage, some risk of confusion is inevitable if a trader adopts them as trade-marks. Coined words have been given a broader ambit of protection due to their greater degree of distinctiveness; the same applies to well-known trade-marks.

(See *Benson and Hedges (Canada) Ltd. v. St. Regis Tobacco Corp.* (1968), 57 C.P.R. 1 (SCC).

... "The question whether the degree of resemblance between two trade-marks in appearance or sound or in the idea suggested by them would be likely to lead to the inference that the wares associated with such trade-marks are manufactured by the same person, is one involving the exercise of personal judgment in the light of all the evidence and with particular regard to the surrounding circumstances as set out in paragraphs (a) to (e) of section 6(5) of the Trade-Marks Act..."

When applying the test set forth in section 6(2) of the Trade-Marks Act, the owner of a registered trade-mark is not required to show that the mark which is the subject of the application for registration is the same or nearly the same as the owner's registered trade-mark. It is sufficient if it is...

"Shown that the use of the mark applied for would be likely to lead to the inference that the wares associated with it and those associated with the registered trade-mark were produced by the same company".

4.6 Famous trade-marks:

In *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, docket 30398, the Supreme Court said that the finding that *Veuve Clicquot* is a famous mark (by the trial Judge) is of importance in considering "all the surrounding circumstances" because fame presupposes that the mark transcends at least to some extent the wares with which it is normally associated". The Supreme Court noted that: The evidence shows clearly that *Veuve Clicquot* carries an aura of luxury which may extend outside the wine and champagne business, and

may (as the appellant's expert stated) evoke a broad association with luxury goods."

The International Trademark Association (INTA) intervened to support *Veuve Clicquot* case before the Supreme Court and argued that while the existence of a connection between the parties wares and services can be an important consideration in the case of a weak senior mark, its importance diminishes as the strength of the mark increases, and in the case of a famous mark, it has little bearing on the question of confusion. The Supreme Court found this proposition to be an oversimplification. Famous marks do not come in one size. Some trademarks 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.

The Court concluded that the evidence before the trial Judge established that the *Veuve Clicquot* mark is famous and casts an aura that is not circumscribed by association with its traditional wine and champagne products. Its broader association with "luxury goods" does not, however, create confusion as to source with a chain of mid-priced clothing stores or the products they market. The trial Judge concluded that the evidence did not establish confusion, or make a plausible case for expungement of the respondents' marks and, in the view of the Court, no basis on which to interfere with that conclusion was shown.

In Mattel, Inc. v. 3894207 Canada Inc., 2006 S.C.C. 22 docket 30839, the appellant argued before the Supreme Court that the *Mattel's* Barbie trade-marks are famous in Canada and worldwide, that they instantly evoke the image of the brand in the mind of consumers. Having acquired such fame, marks such as Barbie may not now be used in Canada on most consumer wares and services without the average consumer being led to infer the existence of a trade connection with the owners of these famous brands. The Supreme Court confirmed that some trade-marks may have that effect, but recognized that the Trade-Marks Opposition Board found Barbie's fame to be tied to dolls and doll accessories. At this stage, its fame is not enough to bootstrap a broad zone of exclusivity covering "most consumer wares and services". The Supreme Court considered that the Board was not required to speculate about what might happen to the Barbie trade-mark in the future. It was required to deal with the respondent's application on the facts established in the evidence.

The Supreme Court further confirmed that evidence of actual confusion is a relevant "surrounding circumstance" but is not necessary even where trade-marks are shown to have operated in the same market area for ten years. Nevertheless, an adverse inference may be drawn from the lack of such evidence and circumstances where it would readily be available if the allegation of likely confusion was justified.

B) Passing off/Unfair competition:

1) Section 7(b)

No person shall direct public attention to his wares, services or business in such way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another.

General:

Section 7(b) is a statutory statement of the common law action of passing off which is a form of misrepresentation whereby a trader takes "a free ride" on another person's goodwill by pretending that his wares, services or business are those of that other person. See *MacDonald v. Vapor Canada Ltd*, (1977) 2 SCR 134 at 147.

Any action by a trader which is likely to raise confusion in the mind of a consumer with respect to the source of his wares, services or business may constitute an act of passing off; "intention" does not constitute an element of a breach of section 7(b).

Under section 7(b) passing off may be accomplished by different means: use of a confusing trade-mark, trade name, get-up, signs, advertising, etc... Once a trader can prove that his services or business are recognized in the market place by distinctive indicia, no other trader can use such indicia in a way to cause or be likely to cause confusion. In order for a plaintiff to succeed in an action of passing off, he must establish:

- a) a proprietary right (good reputation/goodwill),
- b) an invasion that right, and
- c) that the plaintiff has suffered or is likely to suffer damages due to the invasion of that right.

For sometime, the constitutionality of section 7(b) remained in doubt. Recently, the Supreme Court of Canada in a judgment dated November 7, 2005 in *Kirkbi AG v. Ritvik Holdings Inc.* (2005) 3 SCCR 302, has decided unanimously that section 7(b) was within the legislative competence of the Parliament of Canada under section 91(2) of the *Constitution Act*.

2) Common law tort of passing off:

When a party seeks relief from a common law tort of passing off, it must seek this relief from a provincial court of competent jurisdiction, not the Federal Court.

In *Dumont Vins & Spiritueux Inc. v. Celliers du Monde Inc.* (1992) 42 C.P.R. (3d) 197, Décarie, J.A. (F.C.A.) wrote:

"At common law the right to a trade-mark thus arose through the use of a mark by a business to identify its products to the public. There was no need for the business to register its mark in order to protect its right to use the trade-mark and prevent the misuse of its trade-mark by other businesses. The passing off action was an enforcement mechanism available for the protection of trade-mark rights. Without the passing off action, common law trade-mark rights would have little value."

3) Unfair competition/civil delict under article 1457 of the Civil Code of Quebec:

Such a recourse can only be entertained before a court of competent jurisdiction within the province of Quebec. It must be remembered that in the province of Quebec, only the Superior Court has jurisdiction to issue injunction orders. See article 751 of the Code of Civil Procedure.

Article 1457 of the Civil Code of Quebec states that every person has a duty to abide by the rules of conduct which lie upon him, according to the circumstances, usage or law, so as not to cause injury to another.

When he is endowed doubt with reason and fails in this duty, he is responsible for any injury he causes to another person by such fault and is liable to reparation for the injury, whether it be bodily, moral or material in nature (...).

If anyone competes unfairly with others, he will be liable under article 1457 and could face an injunction order or condemnation for damages.

C) Depreciation of goodwill:

Section 22:

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 thereto.

1) Purpose:

Pursuant to section 22 of the Trade-Marks Act, the court has a discretionary power to grant relief in cases where a person uses a trade-mark registered by another person in a manner likely to have the effect of depreciating the value of the goodwill attached thereto.

2) The four elements of section 22:

Section 22 has four elements:

- 1) That a claimant's registered trade-mark was used by the defendant in connection with wares or services – whether or not such wares and services are competitive with those of the claimant.
- 2) That the claimant's registered trade-mark is sufficiently well-known to have significant goodwill attached to it. Section 22 does not require the mark to be well-known or famous but a defendant cannot depreciate the value of the goodwill that does not exist.
- 3) That the claimant's mark was used in a manner likely to have an effect on that goodwill (*i.e.* linkage), and
- 4) That the likely effect would be to depreciate the value of its goodwill (*i.e.* damage). (see *Veuve Clicquot Ponsardin v. Boutique Cliquot Ltée*, 2006 SCC 23, docket 30398, paragraph 46)

Nothing in section 22 requires a demonstration that use of both marks in the same geographic area would be likely to lead to confusion. The owner of a

registered trade-mark need only show that the defendant made use of marks sufficiently similar to the registered trade-mark to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the trade-mark owners registered mark (see *Veuve Clicquot Ponsardin v. Boutique Cliquot Ltée*, 2006 SCC 23, docket 30398, para. 38)

In the *Veuve Clicquot* case, the plaintiff (appellants) acknowledged that the defendant (respondents) never used its registered trade-marks as such, but says that use of the word "*Clicquot*" conveys the idea. The Supreme Court of Canada agreed it was no defense that *Clicquot* is differently spelled. If a casual observer would recognize the mark used by the defendants as the mark of the plaintiff (as would be the case if *Kleenex* were spelled *Klenex*), the use of a misspelled *Clicquot* would suffice. The requirements of section 22 have to be interpreted in the light of its remedial purpose (see paragraph 48 of the judgment).

According to the Supreme Court, there would need to be a link, connection or mental association in the consumer's mind between the defendants' display and the registered trade-mark. Without such a link, connection or mental association, there can be no depreciation of the goodwill attaching to the registered trade-mark (see paragraph 49 of the judgment).

The Supreme Court also found that "likelihood of depreciation" is a matter of evidence not speculation. The appellant and its supportive intervener (International Trademark Association (INTA)), asked the Court to proceed as if section 22 read:

"22(1) no person shall use a (famous) trade-mark registered by another person (because to do so) is likely to have the effect of depreciating the value of the goodwill attaching thereto". (see paragraph 60 of the judgment).

The Court found that given the variable content and market power of "famous marks", no such generalization is possible and Parliament did not so enact. (see paragraph 61 of the judgment).

3) Use:

The Act specifically defines the word "use" only in relation to a trade-mark. See section 2.

A trade-mark is also defined in section 2 as meaning:

- (1) a mark which is used by a person for the purpose of distinguishing his wares or services from the wares or services of others.
- (2) a certification mark,
- (3) a distinguishing guise,
- (4) a proposed trade-mark.

If the above definitions are applied to section 22 then, any person using a registered trade-mark for a purpose other than those mentioned above, may escape statutory liability since he would not be "using" the mark as a trade-mark within the meaning of the Act. Mr. Justice Thurlow in the case of *Clairol International Corp. v. Thomas Supply and Equipment Co. Ltd.* (1968), 38 Fox Pat. C. 176 at 195-96 defines the word "use" in the context of section 22, as follows:

"In its ordinary sense the language of section 22(1) is I think, broad enough to embrace uses likely to have the result of depreciating goodwill which are far removed from the type of case I have mentioned. Indeed in its ordinary sense the language seems broad enough to include a conversation in which a person adversely criticizes goods which he identifies by reference to their trade-mark. I regard it as highly unlikely, however, that so broad a prohibition could have been intended. In the course of his argument, Mr. Henderson treated the meaning of "use" as referring to use only in competitive trading, but while I think that use in the course of trading is a limitation which is obviously present, the statute being one relating to trade-marks and unfair competition, this too would leave very wide scope for the prohibition. There are many common instances of the use of trade-marks in the course of trading which I do not think the section could have been intended to prohibit. A trade-mark is "used" for example, in this sense in the course of trade when a shopkeeper exhibits a poster on his counter or in his shop with a comparative price list indicating by reference to their trade-marks the goods of several traders who may be competitors of one another. It is also used in this sense in the course of trade when a sales clerk makes reference to it in the course of discussing the merits of the owner's goods with a customer, whether in comparison with the goods of other traders or not. Such uses could, depending on what was being said, tend to adversely affect the goodwill attaching to a trade-mark but I do not think the statute is intended to forbid legitimate comparisons or criticisms of that kind. Rather I

think the verb "use" in section 22 is to be interpreted by reference to the definition of the noun "use" in section 2(v) the effect of which is to confine the application, and therefore the prohibition, of section 22 to a use which any person may make, in association with goods or services within the meaning of sections (sic) of section 4 of another's registered trade-mark in such a manner as to depreciate the value of the goodwill attaching thereto.

As applied to a case of this kind section 22(1) might in accordance with this interpretation be read as follows:

No person shall use in association with wares within the meaning of section 4 a mark that is used by another person for the purpose of distinguishing or so as to distinguish wares manufactured etc. by him from those manufactured etc. by others and which mark has been registered by him as his trade-mark, in a manner likely to depreciate the value of the goodwill attaching thereto.

If, as I think, this is the correct way to interpret the verb "use" in section 22(1) it follows from what I have already said when considering section 4 that the presence of the plaintiffs' trade-marks on the defendants' packages is within the meaning of "use" in section 22(1) but that their presence in the plaintiffs' brochures is not within it. It remains, however, to consider whether the use so made of the plaintiffs' marks on the defendants' packages is use in a manner likely to depreciate the value of the goodwill attaching to the plaintiffs' marks".

4) Depreciation of the value of the goodwill:

The expression "goodwill" and "depreciating the value of goodwill" in section 22(1) have been interpreted by Mr. Justice Thurlow in *Clairol International Corp. v. Thomas Supply*, supra, as follows:

"Then what is meant by "depreciate the value" of such goodwill. To my mind this means simply to reduce in some way the advantage of the reputation and connection to which I have just referred, to take away the whole or some portion of the custom otherwise to be expected and to make it less extensive and thus less advantageous. As I see it goodwill has value only to the extent of the advantage of the reputation and connection which its owner enjoys and whatever reduces that advantage reduces the value of it. Depreciation of

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

5) Special order:

Under section 22(2), the court may

(1) decline to order the recovery of damages or profits, and

(2) permit the defendant to continue to sell the offending wares.

The discretion granted under (1), *supra*, seems to be in accordance with the general discretion of a court to grant or refuse relief, whereas the discretion granted under (2), *supra*, seems to go beyond the normal discretionary powers of a court since, if exercised, it will allow a defendant to continue selling his wares even though they may be offending. This discretion is, however, limited to those wares in the possession or under the control of the defendant at the time that he was notified by the owner of the registered trade-mark complaining of such use.

The discretion of the court will be exercised in the light of all the surrounding circumstances, such as the intention of the offending party. See *Seven-Up Co. v. Coca-Cola Ltd.* (1980), 51 C.P.R. (2d) 176, and *Clairol International Corp. v. Thomas Supply* at 202, *supra*.

D) Remedies:

Section 53(1) states that where a court is satisfied, on application of any interested person, that any act has been done contrary to this Act, the court may make any order that it considers appropriate in the circumstances, including an order providing for relief by way of injunction and recovery of damages or profits and for the destruction, exportation or other disposition of any offending wares, packages, labels and advertising material and of any dies used in connection therewith.

1) Purposes:

Under section 53.2 of the *Trade-Marks Act*, a court of competent jurisdiction has the authority to grant relief against any act that is contrary to the *Trade-Marks Act*.

2) General:

If an act is done contrary to the *Trade-Marks Act*, the Federal Court or a Superior Court of a province may make any such order as the circumstances require including, but not restricted to, the relief mentioned in section 53.2, subject to the rules of the court hearing the matter.

Section 53.2 makes specific references to the following reliefs:

- Injunction
- Recovery of damages
- Recovery of profits
- Punitive damages (in the French text only)
- Destruction
- Exportation, or
- Other disposition of offending wares, packages, labels and advertising material and of dies.

3) Injunction:

3.1. Permanent injunction:

a) Source

An action for permanent injunction consists of an equitable remedy. This is equally so in trade-mark infringement actions. Historically, the recourse was invoked in order to force the defendant to respect equitable principles. All such equitable remedies were granted by the Court of Chancery. Legal remedies, on the other hand, were granted by the common law courts. In the 18th century, the courts in England were merged to include jurisdiction for both legal and equitable relief: see *Sharpe* (Robert J.), *Injunctions and Specific Performance*, 2nd ed. (Toronto: Canada Law Book, 1992).

b) Courts of common law provinces and the Federal Court of Canada

In Canada, the Superior Court of each common law province has the jurisdiction to issue injunctive relief.

The Federal Court of Canada also exercises such powers, but only within the limits of the statute from which it derives its jurisdiction.

Whereas the Federal Court is a creature of a statute and its powers are restricted to those set out in the Federal Courts Act, the Superior Courts of the common law provinces can be said to be a continuation of the courts of common law and equity. Their jurisdiction is general and inherent: see *Commonwealth of Puerto Rico v. Hernandez* (1973), (1975) 1 S.C.R. 228, Pigeon J., at pp. 232-233.

c) Power of Quebec Superior Court to grant injunction

In the province of Quebec, the Superior Court is the court of original general jurisdiction: see article 31 of the *Quebec Code of Civil Procedure*, R.S.Q., c. C-25. Even though other tribunals may sanction their process and decisions by way of contempt proceedings, the issuance of injunction orders is the exclusive resort of the Quebec Superior Court: see *Procureur general du Québec v. Progress Brand Clothes Inc.*, (1979) C.A. 326 (Que. C.A.) Bélanger J.: see also articles 46 and 751 and following of the *Quebec Code of Civil Procedure* (R.S.Q., c. C-25).

3.2 Interlocutory injunctions

a) General

In the course of an infringement action, the trade-mark owner may, in certain cases, be entitled to an order for interlocutory injunction. This equitable remedy must be exercised with due diligence and is discretionary in nature. The applicant must demonstrate that there is a serious issue to be tried, irreparable harm can be caused, and that the balance of convenience favours him, except in cases of blatant infringement where this latter criterion may be relaxed. However, the court will be less likely to grant an order of interlocutory injunction where the applicant can be compensated adequately in damages.

b) Threshold test

The Federal Court of Appeal recalled in *Turbo Resources Ltd. v. Petro Canada Inc.*, (1989) 2 F.C. 451 (F.C.A.) Stone J., at pp. 473-474 that the object of the recourse for interlocutory relief as stated by the House of Lords in *American Cyanamid Company v. Ethicom Ltd.* (1974), (1975) A.C. 396 (H.L.), was to protect the plaintiff from injury by violation of his rights, for which he could not be adequately compensated in damages recoverable in the action (if the uncertainty were resolved in his favour at trial).

After discussing the object of interlocutory injunction proceedings, the Federal Court of Appeal questioned whether the Cyanamid test was as rigid and indeed as radical as the motion's judge and the lower courts in the common law provinces seemed to believe.

In his reasons (at p. 467), the Honourable Justice Stone of the Federal Court of Appeal suggested that flexibility may be found in the Cyanamid doctrine, thanks to the balance of convenience test set out therein which is of paramount importance:

"As I understand it, this flexibility is to be achieved in the end under the full American Cyanamid formulation by having regard for the balance of convenience as between the parties, which thus becomes decisive in the exercise of the trial judge's discretion. Satisfying the threshold test of "a serious question to be tried" does no more, so to speak, than unlatch the door to a plaintiff; it neither opens it nor, less still, permits him to pass on through. That he may do only if the balance of convenience is found to lie in his favour".

The Court took great pains to specify that satisfaction of the threshold test was merely a beginning and did not guarantee victory to the plaintiff as had been suspected by the motion's judge in the *Turbo* case, and by the lower courts in the common law jurisdictions of Canada. To go beyond the "threshold" as it were the Honourable Justice Stone stated that one must demonstrate that the balance of convenience lies in one's favour.

The Federal Court of Appeal, therefore, had no difficulty adopting the *Cyanamid* threshold test. However, the Court explained that the approach in *Cyanamid* was, if considered in its entirety, not as one-dimensional and rigid as previously expressed in Canadian jurisprudence and more particularly, in the first instance.

In effect, once the Federal Court of Appeal was satisfied that the threshold test had been met, it went on to set out the additional factors that may be weighed and considered by the Court once it was established that there is a serious question to be tried. These factors are listed in the judgment at pp. 473-474 as follows:

"(a) Where a plaintiff's recoverable damages resulting in the continuance of the defendant's activities pending trial would be an adequate remedy that the defendant would be financially able to pay, an interlocutory injunction should not normally be granted;

(b) Where such damages would not provide the plaintiff an adequate remedy but damages (recoverable under the plaintiff's undertaking) would provide the defendant with such a remedy for the restriction on his activities, there would be no ground for refusing an interlocutory injunction;

(c) Where doubt exists as to the adequacy of these remedies in damages available to either party, regard should be had to where the balance of convenience lies;

(d) Where other factors appear to be evenly balanced, it is prudent to take such measures as will preserve the status quo;

(e) Where the evidence on the application is such as to show one party's case to be disproportionately stronger than the other's, this factor may be permitted to tip the balance of convenience in that party's favour provided the uncompensatable disadvantage to each party would not differ widely;

(f) Other unspecified special factors may possibly be considered in the particular circumstances of individual cases. (sic)"

These criteria are not exhaustive and the Court expressly warned against a rigid approach to their application.

c) Other tests relevant to the proceedings

Introduction

In the courts of the common law provinces and the Federal Court, *Turbo Resources Ltd. v. Petro Canada Inc.* (1989) 2 F.C. 451 (F.C.A.) and *Syntex Inc. v. Novopharm Ltd.* (1991), 126 N.R. 114 (F.C.A.) are the leading cases

with respect to the approach to be taken by the courts in interlocutory injunction proceedings in intellectual property cases.

Even if one applies the threshold test as set out in *Turbo*, regard must be had to the various tests that have always been a part of the law of interlocutory injunction:

Irreparable harm and adequacy of damages

The Federal Court of Appeal has clarified another aspect of interlocutory injunction proceedings in intellectual property cases with respect to irreparable harm. In the *Novopharm* case, the Federal Court of Appeal reaffirmed the principles outlined in the *Turbo* case but set out a requirement previously often overlooked in interlocutory injunction applications in industrial property infringement actions.

This requirement relates to the question of irreparable harm which may be said to fall into factor (b) in *Turbo*, supra. Prior to the *Novopharm* case, it was often presumed that the infringement of an intellectual property right per se caused irreparable harm. The Federal Court of Appeal clearly set out in *Novopharm* that an applicant who wishes to rely on the irreparable harm doctrine must not only allege it, but also provide evidence which will allow the trial judge to make a specific finding on this question. Evidence as to irreparable harm must therefore, according to the Federal Court of Appeal, be clear and not speculative, even in industrial property cases.

The *Cyanamid* case rejected the strong prima facie case test as a threshold and replaced it with the "serious question to be tried" threshold test. However, as stated in *Turbo*, *Cyanamid* did not close off the other traditional considerations relevant to proper exercise of discretion by a court on an interlocutory injunction application.

Equitable remedies are not to be granted unless the plaintiff shows that the ordinary legal remedy in damages would be inadequate. The corollary to this principle is that the plaintiff must be at risk for a form of injury which cannot be compensated or remedied other than through the grant of injunctive relief. If damages were an adequate remedy, and the defendant was in a position to pay them, interlocutory relief should not be granted no matter how strong the case of the plaintiff may be. (See *Centre ice Ltd. v. National Hockey League* (1994), 53 C.P.R. (3d) 34).

Balance of convenience

Generally, the question of balance of convenience arises where there is doubt as to the adequacy of a recourse in damages by the plaintiff or the adequacy of an undertaking to pay damages provided by the defendant. The question asked by the Court on the balance of convenience should be: Is the inconvenience to the defendant more substantial, should the injunction be granted, than the inconvenience the plaintiff would suffer if it were withheld? Basically, the balance of convenience is a risk-balancing exercise and the factors to be considered is carrying it out will vary from case to case.

Delay and acquiescence

Since interlocutory relief is equitable in nature, the defendant is entitled to invoke equitable considerations in contestation. The defence of delay is, therefore, available to the defendant if he shows that he has been prejudiced by the delay or that the plaintiff is responsible for laches.

Acquiescence by the plaintiff to the acts of the defendant in a trademark infringement action may also be set up against the plaintiff in interlocutory proceedings.

Plaintiff's undertaking in damages

Although the courts have discretion to dispense a plaintiff from doing so, it is generally recognized that the plaintiff should, in an interlocutory injunction application, undertake to pay any damages that the order sought may cause the defendant, if the plaintiff fails on the merits. This obligation confirms the risk-balancing exercise inherent in interlocutory injunction proceedings.

d) Anton Piller order

Introduction

Such orders have evolved in response to increasing worldwide counterfeiting activities. *Anton Piller* orders have developed as a common law remedy which is ancillary to the basic equitable right to an injunction. A plaintiff may, in certain extraordinary cases, request the issuance of an *Anton Piller* order essentially to ensure conservation of evidence.

These orders consist of a form of civil search warrant usually containing a "gag" order prohibiting the defendant from disclosing the existence of the

proceedings to anyone else but his solicitor. This type of order also allows the plaintiff access to the defendant's premises where the plaintiff may remove documents such as accounting documents or goods such as counterfeit goods which may constitute evidence.

History

These orders originated in the Civil Division of the Court of Appeal in England in the case of *Anton Piller KG v. Manufacturing Process Limited* (1975), (1976) Ch. 55 (C.A.).

In that case, *Anton Piller KG* was a manufacturer of electronic machinery and generators for the computer industry. The defendants were *Anton Piller's* agents in the United Kingdom. The machines of *Anton Piller KG*, a German company, were sold by the defendants to customers in England. In the process of their business relationship, *Anton Piller* supplied the defendants with information about the machines which included a manual and drawings which were subject to copyright. The plaintiff in that case learned of the disclosure of trade secrets by the defendants to German competitors. In effect, the defendants were supplying drawings and other material to competitors which would permit them to manufacture products similar to those manufactured by the plaintiff.

It consisted of a case where the plaintiff could not conceivably give notice of any proceedings it would take against the defendants without risking the loss or destruction by the defendants of the relevant documents crucial to the plaintiff's case. After being unsuccessful in the first instance, the plaintiff obtained an order pursuant to a hearing in camera before the Court of Appeal, entitling the plaintiff to an order allowing it to attend at the business premises of the defendants to inspect all documents and remove those documents or any copies of them.

Conditions for availability

In granting this order, the Court set out three essential pre-conditions which must exist for the making of an order such as that sought by the plaintiff in that case. These three conditions have since been adopted in Canada. See *Titan Sports Inc. v. Mansion House (Toronto) Ltd.* (1989), 28 C.P.R. (3d) 199 (F.C.T.D.) where the three conditions were summarized:

- i) where there is a strong *prima facie* case for an injunction,
- ii) where the damage likely to be caused to the applicant would be very serious, and

- iii) where there is a real possibility that the defendant will destroy or secrete incriminating documents or things if there is advance notice of the order.

These conditions were adopted by the Federal Court of Appeal in *Nintendo of America, Inc. v. Coinex Video Games Inc.* (1982), 69 C.P.R. (2d) 122, at p.129

It is common practice for the plaintiff to furnish security for damages which may be suffered by the defendant as a result of the seizure, in the event the plaintiff is unsuccessful on the merits.

Procedure in Federal Court

In the Federal Court of Canada, *Anton Piller* orders may be requested in accordance with Rule 377 of the *Federal Courts Rules*. These applications are heard *in camera* and it is imperative that the plaintiff include, in the affidavit, evidence on allegations meeting the three conditions outlined above.

Procedure in Quebec

The Quebec Superior Court having been vested with the right to grant injunctions, it has full authority to render orders for the better administration of interlocutory proceedings. The Supreme Court of Canada declared in *Trudel v. Clairol Inc. of Canada* (1971), (1975) 2 S.C.R. 236 that where the Code of Civil Procedure refers to injunctions, it is referring to injunctions as they are known in common law jurisdictions. As such, *Anton Piller*-type orders form part of the law in Quebec: see *Ferco International Usine de Ferrures de Bâtiment v. Woreli Management Co.*, (unreported), Que. Sup. Ct., Doc. No 500-05-062603-924, Archambault J., February 20, 1992.

4. Recovery of damages or profits

4.1 Introduction

The infringer may be liable to pay such damages as may have been proven or such part of the profits that the infringer has made from the infringement as the Court may consider appropriate in the circumstances. Contrary to copyright infringement cases where those remedies are cumulative, in trade-mark infringement matters they are alternatives.

4.2 Profits or damages

Section 53.2 foresees the availability of any recourse which is or may be conferred by law. The recovery of profits is, in principle, an equitable remedy: see *Dubiner v. Cherio Toys & Games Ltd.*, (1966) Ex. C.R. 801 (Ex. Ct.) and *Teledyne Industries Inc. v. Lido Industrial Products Ltd.* (1982), 68 C.P.R. (2d) 204. However, since the *Trade-Marks Act* expressly foresees the recourse, it has become a legal remedy to be interpreted in accordance with the principles of equity from which it is derived.

In contrast to the foregoing, a recourse in damages may be said to be a strictly legal remedy. When one invokes the legal remedy of damages, the court will seek to allow the plaintiff to make good on its loss. Relief in equity, however, has a different basis. An equitable recourse is invoked against the defendant who has illegally received and withheld property belonging to the plaintiff, and has made profits from same. In such cases, the defendant is ordered to restore the property or the profits.

In law, damages are awarded for the plaintiff's proven loss. In equity, it is the defendant's gain which is determined and awarded to the plaintiff.

The discretionary nature of an award of profits in a copyright infringement action is expressly confirmed by section 35(1) of the *Copyright Act* which states that the Court may award "such part of the profits that the infringer has made from the infringement as the Court may decide to be *just and proper*". Section 53.2 of the *Trade-Marks Act* is not as explicit; however, Parliament did indicate that "the court may make any order that it considers *appropriate in the circumstances*, including an order providing for... the recovery of damages or profits...". The corollary to the above should be that equitable defences may be raised in contestation of a demand for profits.

4.3 Exemplary or punitive damages

The French text of section 53.2 specifically mentions the granting of punitive damages while the English text is totally silent on the subject. One must conclude that the addition in the French text cannot have been the result of an oversight. The reason for this is probably the fact that under Quebec civil law, punitive damages are exceptional and available only when provided by law (art. 1621 C.C.Q.). Under the common law of the other provinces of Canada "punitive damages" are

included in the more general concept of "damages" as stated in the English text of section 53.2. Punitive or exemplary damages will usually be awarded when the defendant has shown a cynical disregard for the plaintiff's rights, where the defendant has taken a calculated risk that the money he could make through his infringing activities would exceed the damages obtainable by the plaintiff and where profits, for lack of proper accounting records, are difficult to evaluate.

The rationale for providing a recourse for exemplary damages is that much of the value in a trade-mark is intangible and it is often difficult to demonstrate clearly the damages which have been suffered by the trade-mark owner. Further, it is often difficult to prove the profits of the infringing party. It is, therefore, difficult to achieve that which is sought by awarding compensatory damages – the restoring of the plaintiff to the position he would have been in had the infringement not been committed.

5. Destruction or exportation

These are two remedies which were not as such available under former section 53. The court did have the power to give directions with respect to the disposition of any offending wares; this power could have included the relief by way of destruction or exportation. If ever there were a doubt, this doubt has now disappeared.

6. John Doe orders

Trade-mark infringers who have a known place of business are relatively easy to identify and bring to court. On the other hand, John Doe selling CARTIER watches or LOUIS VUITTON handbags of illegal and unknown origin on the corner of Bloor and Yonge Street in Toronto may be more difficult to locate and serve with legal documents. Even when caught, the execution of any order of the Court is virtually impossible to verify.

The problem is real and creates substantial damages to trade-mark owners. In *Montres Rolex S.A. v. Balshin* (1992), 45 C.P.R. (3d) 174, the Federal Court of Appeal maintained an injunction restraining unknown persons engaged in the sale of imitation watches, prior to the trial date, from infringing the appellant's trade-mark.

John Doe orders will generally apply to vendors found in specific locations. The order will also generally provide the following guidelines for its enforcement:

- (a) Each of the defendants shall be served with a copy of the Statement of Claim in the action and a copy of the order;
- (b) Each of the defendants shall be asked to identify themselves and if they do identify themselves then their names shall be entered as defendants on the order at that time; and
- (c) A solicitor employed by the solicitors for the plaintiffs shall explain to the defendant or defendants the nature and effect of the order in ordinary language and inform the defendants that they may apply to this court for the return of any watches seized.

7. Delivery up

While section 53.2 does not specifically make reference to "delivery up", this remedy is available to the plaintiff as "other dispositions of any offending wares, packages, labels and advertising material and of any dies used in connection therewith". However, in the case of an action based on section 22 of the *Trade-Marks Act*, (depreciation of goodwill) the court may permit the defendant to sell wares marked with the offending trade-mark which were in the defendant's possession or under his control at the time notice was given to the defendant that the owner of the registered trade-mark complained of such use. See section 22(2).

E) Defenses:

1) General

Section 53.2 gives the right to institute legal proceedings to "any interested person".

Section 2 defines the expression "person" as including any lawful trade union and any lawful association engaged in trade or business or the promotion thereof, and the administrative authority of any country, state, province, municipality or other organized administrative area.

Section 2 also defines "persons interested" as including any person who is affected or reasonably apprehends that he may be affected by any

entry in the register, or by any act or omission or contemplated act or omission under or contrary to this Act, and includes the Attorney General of Canada.

Therefore, a defendant can defend itself against any claim under section 53.2 by demonstrating to a court of competent jurisdiction that the plaintiff is not a person interested.

2) Defenses under section 19

- a) The trade-mark of the plaintiff is not registered;
- b) The defendant is not making use of the trade-mark;
- c) The trade-mark of the defendant is not identical to the registered trade-mark of the plaintiff (not the same word, not the same design);
- d) The defendant does not use the registered trade-mark of the plaintiff in association with the goods or services listed in the registration;
- e) The registered trade-marks of the plaintiff is invalid (see section 18 of the *Trade-Marks Act*).

3) Defenses under section 20

- a) The trade-mark of the plaintiff is not registered;
- b) The defendant is not making use of the trade-mark;
- c) There is no actual confusion and no likelihood of confusion between the mark used by the defendant and the registered trade-mark of the plaintiff applying the tests to be found at section 6, which are not exhaustive;
- d) The defendant uses the trade-mark in a descriptive manner;

3.1 Exceptions:

- a) General

The rights granted to the owner of a registered trade-mark are subject to the specific exceptions set out in subsections 20(1)(a) and 20(1)(b) and in subsection 20(2). The registration of a trade-mark will not prevent a person from making any bona fide:

- (1) use of his personal name as a trade name, or
- (2) use, other than as a trade-mark,
 - (a) of the geographical name of his place of business, or
 - (b) of any accurate description of the character or quality of his wares or services

unless such use is likely to have the effect of depreciating the value of the goodwill attaching to the registered trade-mark.

Subsection 20(2) makes a further exception for geographical indications for wines and spirits listed in subsections 11.18(3) and (4).

b) Use other than as a trade-mark

Section 20(1)(a) only allows the use of a personal name as a trade name and not as a trade-mark.

Section 20(1)(b) only permits a person to use the geographical name of his place of business or any accurate description of the character or quality of his wares or services if the use is other than as a trade-mark.

c) Good faith

The exception provided for in section 20(1)(a) and 20(1)(b) can only be invoked if the defendant can show good faith. A court would be likely to find that a defendant is not acting in good faith, if, for example he was using on his labels, the geographical name of his place of business, together with other indicia also appearing on the labels used by the registered trade mark owner, in such a manner as to create confusion with the registered trade mark.

d) Goodwill

The expression "depreciating the value of goodwill" has been interpreted by Mr. Justice Thurlow, in the case of *Clairol International*

Corp. v. Thomas Supply & Equipment Co. Ltd. (1968), 38 Fox Pat. C. 176 at 199:

"Then what is meant by "depreciate the value" of such goodwill. To my mind this means simply to reduce in some way the advantage of the reputation and connection to which I have just referred, to take away the whole or some portion of the custom otherwise to be expected and to make it less extensive and thus less advantageous. As I see it goodwill has value only to the extent of the advantage of the reputation and connection which its owner enjoys and whatever reduces that advantage reduces the value of it. Depreciation of that value in my opinion occurs whether it arises through reduction of the esteem in which the mark itself is held or through the direct persuasion and enticing of customers who could otherwise be expected to buy or continue to buy goods bearing the trade-mark. It does not, however, as I see it, arise, as submitted by Mr. Henderson, from danger of loss of exclusive rights as a result of use by others as this in my view represents possible loss of exclusive rights in the trade-mark itself rather than reduction of the goodwill attaching to it".

e) The trade-mark is invalid

Section 17(2)

In proceedings commenced after the expiration of five years from the date of registration of a trade-mark or from July 1, 1954, whichever is the later, no registration shall be expunged or amended or held invalid on the ground of the previous use or making known referred to in subsection (1), unless it is established that the person who adopted the registered trade-mark in Canada did so with knowledge of that previous use or making known.

Section 18(1)

The registration of a trade-mark is invalid if

(a) the trade-mark was not registrable at the date of registration,

(b) the trade-mark is not distinctive at the time proceedings bringing the validity of the registration into question are commenced, or

(c) the trade-mark has been abandoned,

and subject to section 17, it is invalid if the applicant for registration was not the person entitled to secure the registration.

4) Defenses under section 22

- a) The trade-mark of the plaintiff is not registered;
- b) The plaintiff's registered trade-mark was not used by the defendant in connection with wares or services;
- c) The trade-mark of the defendant is not identical to the registered trade-mark of the plaintiff and the use which is made by the defendant does not convey the same idea and a casual observer would not recognize the mark used by the defendant as the mark of the plaintiff;
- d) The registered trade-mark of the plaintiff is invalid (see sect. 18 of the Trade-Marks Act);
- e) The plaintiff's registered trade-mark is not sufficiently well-known to have significant goodwill attached to it, section 22 does not require the mark to be well-known or famous but the defendant cannot depreciate the value of the goodwill that does not exist;
- f) The likely effect of the use of the trade-mark by the Defendant would not be to depreciate the value of the goodwill;
- g) There is no connection between the registered trade-mark of the plaintiff and the trade-mark used by the defendant.

5 Defenses under section 7(b)

- a) Absence of goodwill;
- b) No likelihood of confusion;

- c) The parties are not in competition;
- d) The confusion which is alleged to exist does not imply a trade-mark;
- e) The trade-mark is invalid;
- f) The alleged trade-mark is functional (see *Kirkby AG v. Ritvik Holdings Inc.* (2005) 3 S.C.R. 302).

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