

## PROTECTION OF NOTORIOUS TRADE-MARKS IN CANADA

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Brand owners have had for some time quite significant reasons for concern in view of the attenuated degree of protection afforded their famous trade-marks in Canada. The current state of the law derives from two principal decisions of the Federal Court of Canada namely Pink Panther and Lexus Foods.

PINK PANTHER involved an opposition decision in which Pink Panther Beauty Corp. applied to register PINK PANTHER for use in association with various “hair care and beauty products supplies” and “the operation of a business dealing in the distribution of hair care and beauty product supplies and instructing and educating others in the distribution of beauty products and hair care supplies”.

The application met an opposition by United Artists Corp. relying on three registered trade-marks including the word mark PINK PANTHER covering phonograph records, motion picture films, film leasing and distribution services, and entertainment services by means of motion picture films. The Opposition Board rejected United Artists’ opposition, as it deemed the opponent had failed to establish any association between the activities of the applicant and its own. On appeal to the Federal Court Trial Division, United Artists filed additional evidence to establish that its trade-mark PINK PANTHER was well known by reason of its series of films featuring the actor Peter Sellers. As a result, the Trial Division allowed the appeal, stating that the differences in the nature of the goods and the trade were less significant in view of the widespread use of the marks on their resultant fame.

The Federal Court of Appeal however allowed the appeal by Pink Panther Beauty Corp. and dismissed the opposition. The Court accepted that PINK PANTHER was a famous trade-mark. Nonetheless, Justice Linden of the Court stated as follows:

“However, 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.”

The effect of the Federal Court of Appeal’s judgment was to limit the protection accorded famous trade-marks to not very far beyond the scope of the goods and services covered by their registration. In other words, the onus was placed on famous brand owners to establish some connection between, or similarity of, their goods and services and those of the infringer or the owner of the opposed mark. Unfortunately the majority opinion did not deal with a key issue

namely that the owner of the applied for mark was obviously influenced in its choice of marks by the fame of the senior trade-mark owner. Nor did it comment on the fact that famous trade-marks particularly in the entertainment industry, such as the PINK PANTHER mark, are often exploited in many other fields by means of licensing. Failure to recognize this fact may have unduly limited the value of the mark's future potential exploitation.

In the Lexus case involving *Toyota Jidosha Kabushiki Kaisha vs. Lexus Foods Inc.*, Lexus Foods had applied to register its trade-mark LEXUS for use in association with "canned fruit products". The well known car company Toyota opposed based on its registered trade-mark LEXUS used in association with automobiles and related parts, accessories, and services. When its opposition was rejected, the Toyota company appealed to the Federal Court Trial Division and filed additional evidence to establish that the LEXUS trade-mark was a famous or at least a very well known mark. The Trial Judge distinguished the PINK PANTHER case and placed less emphasis on the differences between the goods and services at issue. He was particularly influenced by the fact that LEXUS was a coined term and that the applicant adopted its mark with its eyes wide open. On appeal to the Federal Court of Appeal, the Court reversed the Trial Judge and ruled that an error had occurred in that insufficient emphasis was placed on the striking differences in the wares and trades. On the issue of famous trade-marks, the Court held at follows:

"Famousness alone does not protect a trade-mark absolutely. It is merely a factor that must be weighed in connection with all the rest of the factors. If the fame of a name could prevent any other use of it, the fundamental concept of a trade-mark being granted in relation to certain wares would be rendered meaningless."

Interestingly enough, Toyota applied for leave to appeal the decision to the Supreme Court of Canada and was denied.

#### The BARBIE and VEUVE CLIQUOT decisions

The Federal Court has since recently decided a couple of new cases involving the adoption and use of famous trade-marks by third parties for unrelated goods and/or services. In the case of Mattel, Inc., owner of the famous trade-mark BARBIE for dolls, Mattel had opposed the mark BARBIE'S in design form for restaurants and catering services. The senior trade-mark owner's claim was based on the contention that regardless of the nature of the goods and services in question, the general public associated the restaurant with the producer of the well-known toy dolls.

In the Veuve Cliquot decision the plaintiff brought an action for trade-mark infringement and passing off based on damages to goodwill relying on its famous mark VEUVE CLIQUOT for champagne, resulting from the defendant's use of Les Boutiques Cliquot for women's retail clothing stores and CLIQUOT for women's clothing. It was urged that the public believed there was some sort of link between the two opposing companies.

The trade-mark owners in each decision argued that due to the substantial notoriety of their marks, the relevance of the differences between the wares and services of both parties diminished when determining whether or not consumer confusion arose. The Federal Court rejected the brand owners' position based on its adherence to the existing jurisprudence from

Pink Panther and Lexus which held that consumer confusion may only be presumed where some connection is demonstrated between the wares and services at issue.

On appeal, the Court of Appeal likewise insisted on the requirement for a connection, resemblance or linkage between the wares and services per se, which was found to be missing in each case.

These decisions have created considerable discussion amongst owners of famous trade-marks as well as IP specialists as demonstrating the shortcomings in the protection afforded famous brands in Canada. The Court of Appeal's reasoning prevents even the most famous brands from being protected for unrelated wares and services. The court reached this decision despite the fact that sub-section 6 (2) of the *Trade-Marks Act* was deliberately worded to make it clear that an inference of brand association can arise whether or not the wares or services in question are of the "same general class". As a result, the Court rulings were seen by a number of IP professionals as clearly incompatible with statutory law.

The importance of these decisions has caused the International Trade-mark Association ("INTA") to intervene in the case of *Veuve Cliquot vs. Les Boutiques Cliquot* in support of the famous trade-mark owner's position. INTA emphasized the principle that famous brands should enjoy an ambit of protection well beyond the circumstance where wares and services are shown to have similarities or overlap.

INTA rightly states that sub-section 20 (1) of the *Trade-marks Act* deems the respondents to have infringed the appellant's registered rights if the respondents have sold, distributed or advertised goods or services in association with a "confusing trade-mark". Accordingly, the issue of infringement requires an analysis of "confusion" between trade-marks, the test for which is prescribed by Section 6 of the Act. INTA argued that Section 6 of the Act was intended to render it possible to protect a famous mark across the entire spectrum of trade without any requirement for a connection between the wares and services. Thereby, "the test to be applied is a matter of first impression in the mind of an ordinary consumer upon seeing the CLIQUOT brand, having an imperfect recollection of the VEUVE CLIQUOT and/or CLIQUOT names, without giving the matter any detailed consideration or scrutiny, or examining closely the similarities and differences between the marks."... "Accordingly, in these cases the "confusion" issue is not whether, for example, a women's clothing store has any connection with champagne. The issue is whether an ordinary consumer would infer, on seeing CLIQUOT advertising for these stores, that there is some association with the well-known senior brand for which the consumer is assumed to have an imperfect recollection. ...The Act was intended to provide well known trade-marks with a broad ambit of protection including protection extending to unconnected wares and services. When a mark is famous and distinctive, it is likely that a junior use of the same or a similar mark will generate an association in the consumer's mind regardless of any similarity or connection between the wares."

In addition, Section 22 of the *Trade-marks Act* provides for protection of registered trade-marks against depreciation of the value of the goodwill attaching to the marks. A well-known trade-mark is thought to diminish in value and distinctiveness where it is used by a third party in association with wares or services of a totally different class, so as not necessarily to create consumer deception, but rather a dilution of the unique character of the mark. INTA rightly urged that consumer connection between the parties should not be the test under Section 22 of the Act. The Trial Judge ought to have considered whether the use of CLIQUOT by the respondents was likely to whittle away or dilute the distinctiveness of the VEUVE CLIQUOT mark and

thereby depreciate the value of the goodwill attached to it. The likelihood of dilution arises from the similarity or identity of the junior mark to the famous and distinctive mark. Wares and services are irrelevant. Under this principle, INTA argued, the Courts should have provided the necessary protection to the famous brand against depreciation of the goodwill and dilution of its distinctiveness or unique character.

These principles have already been incorporated into the trade-mark legislation not only of the European Community, but also of the majority of European Union members including Benelux, Denmark, Finland, France, Germany, Greece, Italy and Spain.

The *Veuve Cliquot* vs. *Les Boutiques Cliquot* and *Mattel* vs. *Barbie* cases have been appealed to the Supreme Court of Canada, which will attempt to clarify the scope of protection to be afforded famous marks in Canada. A decision is expected to issue early in 2006.

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