

Canada

Trademark rights can be enforced in Canada on the basis of both registered and unregistered rights, under the federal statute and the common law tort of passing off. Remedies include interlocutory injunctive relief, but proving irreparable harm often presents a tremendous challenge

In Canada the principal mechanism for enforcing trademark rights is a court action in which the plaintiff pleads one or more of the following causes of action:

- infringement of a registered trademark;
- passing off in relation to a trademark or trade dress; and/or
- depreciation of the value of the goodwill associated with a registered trademark.

If a trademark owner declines to enforce its rights, a licensee may in certain circumstances commence an action in its own name.

Infringement of a registered trademark

The owner of a registered trademark has “the exclusive right to the use throughout Canada” of the trademark in association with the goods and/or services for which it is registered (Section 19 of the Trademarks Act). Any non-entitled person who sells, distributes or advertises goods or services in association with a confusing name or mark infringes this right (Section 20). It is possible to sue based on an imminent threat of infringement. A trademark registration is presumed to be valid, but a defendant can attack the validity of the registration in a counterclaim.

The Federal Court has held that the defendant must have “used” the allegedly infringing mark, applying a technical ‘use’ test. This involves, for example, an analysis of:

- whether the defendant is employing the mark for the purpose of distinguishing its goods or services from those of others;
- whether the mark is sufficiently associated with goods at the time of transfer; and
- for services, whether the mark has been displayed in the performance or advertising of the services.

Although Section 19 does not refer to confusion, it is prudent to assume that confusion must be proven in an infringement action. Only in a narrow set of circumstances (eg, counterfeiting) will a plaintiff be able to argue violation of Section 19 rights without addressing the issue of likelihood of confusion.

The likelihood of confusion test is hypothetical – there is confusion “if the use of both trademarks in the same area *would be likely to lead to the inference*” that the goods or services associated with them are manufactured or sold by the same person, “whether or not the wares or services are of the same general class”.

In determining whether marks are confusing, the court must consider all of the surrounding circumstances, including:

- inherent distinctiveness and the extent to which the marks have become known;
- the length of use;
- the nature of the goods, services or businesses with which the respective marks are associated;
- the nature of the trade; and
- the degree of resemblance between the trademarks in appearance, sound or ideas suggested.

Other commonly considered factors include:

- actual confusion or lack thereof;
- widespread third-party adoption of similar marks; and
- the plaintiff’s ownership of a family of marks.

The confusion test contemplates the first impression of a casual consumer, somewhat in a hurry, with imperfect recollection of the plaintiff’s mark (*Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée* (2006 SCC 23 at Para 20)). The test has been interpreted to be broad enough to encompass the concept of ‘reverse confusion’ (*A&W Food Services v McDonald’s Restaurants* (2005 FC 406 at Para 32)). The plaintiff bears the ordinary civil burden of proof: confusion must be shown likely on a balance of probabilities.

Sections 19 and 20 do not prevent certain *bona fide* uses of personal names as trade names, use of the geographical name

of a place of business, or accurate descriptions of the character or quality of goods or services in a manner that is not likely to depreciate the value of the goodwill attaching to a registered trademark.

Passing off

Use of a trademark creates rights enforceable under the Trademarks Act and also at common law or under the Civil Code of Quebec.

Section 7(b) of the Trademarks Act is a codification of the common law tort of passing off. This section has been interpreted to require the rights to derive from use of a trademark whether registered or unregistered (*Nissan Canada v BMW Canada* (2007 FCA 255 at Para 14)). By contrast, an action at common law or under the Civil Code of Quebec can be based on rights deriving from use of a trademark or from display of other distinctive commercial indicia such as non-functional trade dress.

There are three elements to any action for passing off (*Kirkbi AG v Ritvik Holdings Inc* [2005] 3 SCR 302, at Paras 66-69). The plaintiff must prove:

- pre-existing commercial reputation deriving from distinctive indicia in the market area where the defendant commences activity (ie, local goodwill);
- a likelihood of confusion due to the defendant’s activity; and
- resulting damage (either actual or potential).

Bad faith or intentional misrepresentation need not be proven, but can be taken into account by the court.

The confusion test applied in an action for passing off is the same as in an infringement action. Still, a plaintiff might plead both causes of action so that success will not depend entirely on the validity of a trademark registration.

Quebec courts apply the same general principles in suits under the Civil Code of Quebec as do courts hearing common law passing off claims in the other of provinces of Canada.

Depreciation of goodwill

Section 22 of the Trademarks Act provides a

remedy against use of a registered trademark in a manner likely to depreciate the value of the associated goodwill. This section is similar to US anti-dilution legislation, but 'fame' is not a formal prerequisite. Under Section 22, a plaintiff must establish that:

- the defendant used its registered mark or the distinctive part of it;
- significant goodwill attaches to its registered mark;
- the defendant's use is likely to result in a mental association among relevant consumers that will affect such goodwill (ie, linkage); and
- the likely effect would be to depreciate the value of the goodwill (damage).

'Goodwill' connotes the positive association that fosters consumer loyalty to a brand. In assessing likelihood of depreciation, the factors considered will include some that are also used in assessing likelihood of confusion (eg, distinctiveness, extent of reputation, length of use and trade channels) and others (eg, market penetration and extent to which the registered mark is identified with a particular quality).

This cause of action enables protection of well-known marks in Canada even where there is no likelihood of source confusion.

Choice of court

Actions for infringement, depreciation of goodwill and passing off may be commenced in the Federal Court or any superior court of a province. Trademark owners often sue in the Federal Court because its orders are enforceable Canada-wide and because its judges are familiar with trademark disputes (resulting in increased predictability).

However, the Federal Court's jurisdiction is limited to enforcement of rights under the Trademarks Act. Accordingly, it does not have jurisdiction over common law actions for passing off involving trade dress (where the plaintiff is not relying on rights in a trademark *per se*) or other subject matter, such as breach of contract or common law torts.

Procedure and remedies

Depending on the complexity of the case and the cooperation of counsel, trademark actions typically come to trial within two to five years, after extensive documentary and oral discovery. Trials are almost always before a single judge, without a jury.

Limitation periods are rarely an issue in trademark cases, but a failure to commence an action in a timely fashion may lead to a



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loss of rights due to laches or acquiescence, or a loss of entitlement to profits.

The remedies available for infringement, passing off and depreciation of goodwill include various forms of injunctive relief in addition to damages (including punitive damages), the infringer's profits, delivery of offending material and a small portion of legal costs.

Where a defendant's business records are not available, Canadian courts have applied a scale of nominal damages, applicable on a 'per infringing activity' or 'per turnover of inventory' basis, as follows:

- C\$3,000 where the defendants were operating from temporary premises such as flea markets;
- C\$7,250 where the defendants were operating from conventional retail premises; and
- C\$29,000 where the defendants were manufacturers and distributors of counterfeit goods.

Pre-trial orders

An immediate injunction is often the most desired relief. However, obtaining an interlocutory injunction can be very difficult. A plaintiff must prove that:

- its case is not frivolous (the 'serious issue' test);
- it will suffer harm not compensable in damages if an immediate injunction is not granted; and
- the balance of convenience favours granting the injunction before trial.

The 'irreparable harm' hurdle is often the most difficult to overcome. Such harm will not be presumed – rather, it must be proved on the basis of "clear and not speculative" evidence.

It is not uncommon in trademark matters, especially when dealing with transient operators (eg, street vendors and flea markets) selling counterfeit merchandise, to seek an *Anton Piller* order permitting the trademark owner to take possession of infringing articles and other evidence temporarily for preservation purposes.

Other enforcement mechanisms

The rights of trademark owners in Canada can also be protected through criminal proceedings, which are not common. In addition, the Trademarks Act also includes provisions enabling border officials to detain infringing goods at their point of entry into Canada. [WTR](#)