



**SUPREME COURT OF CANADA**

**CITATION:** *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*,  
2006 SCC 23  
[2006] S.C.J. No. 22

**DATE:** 20060602  
**DOCKET:** 30398

**BETWEEN:**

**Veuve Clicquot Ponsardin, Maison Fondée en 1772**  
Appellant  
and  
**Boutiques Cliquot Ltée, Mademoiselle Charmante Inc.**  
**and 3017320 Canada Inc.**  
Respondents  
and  
**International Trademark Association**  
Intervener

**CORAM:** McLachlin C.J. and Major,\* Bastarache, Binnie, LeBel, Deschamps, Fish, Abella and Charron JJ.

**REASONS FOR JUDGMENT:** Binnie J. (McLachlin C.J. and Bastarache, LeBel,  
(paras. 1 to 71) Deschamps, Fish, Abella and Charron JJ. concurring)

\* Major J. took no part in the judgment.

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veuve clicquot ponsardin v. boutiques cliquot ltée

**Veuve Clicquot Ponsardin, Maison fondée en 1772**

*Appellant*

v.

**Boutiques Cliquot Ltée, Mademoiselle Charmante Inc.  
and 3017320 Canada Inc.**

*Respondents*

and

**International Trademark Association**

*Intervener*

**Indexed as: Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée**

**Neutral citation: 2006 SCC 23.**

File No.: 30398.

2005: October 18; 2006: June 2.

Present: McLachlin C.J. and Major,\* Bastarache, Binnie, LeBel, Deschamps, Fish, Abella and Charron JJ.

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\* Major J. took no part in the judgment.

on appeal from the federal court of appeal

*Intellectual property — Trade-marks — Confusion — Depreciation of goodwill — Owner of well-known VEUVE CLICQUOT trade-mark for wines and champagne seeking to stop small group of women's wear shops from using registered trade-mark CLIQUOT — Whether use of CLIQUOT name in relation to women's clothing store likely to create confusion in marketplace with VEUVE CLICQUOT trade-mark — Whether such use likely to depreciate value of goodwill attaching to VEUVE CLICQUOT trade-mark — Trade-marks Act, R.S.C. 1985, c. T-13, ss. 6, 20, 22.*

Among those with champagne tastes, the brand of Veuve Clicquot Ponsardin is considered among the very best. It has been building its fine reputation with the drinking classes since before the French Revolution. The VEUVE CLICQUOT trade-mark has also appeared on a range of promotional items, not offered for sale in Canada, including fashion wares for women and men. It is undoubtedly a famous trade-mark that deserves wide protection not only from free-riders but from those who, without any intention of free-riding, nevertheless use in their own business distinguishing marks that create confusion or depreciate the value of the goodwill attaching to those of the appellant.

The appellant seeks to stop the respondents' group of six women's wear shops in Quebec and eastern Ontario from using the trade-name *Clicquot* and the respondents' own registered trade-marks *Clicquot* and *Clicquot « Un monde à part »*, and to have these trade-marks expunged from the Register. The appellant claims that consumers will likely be confused to the point of thinking that the women's clothing and the champagne originate with the same source, thereby infringing the appellant's

registered trade-marks contrary to s. 20 of the *Trade-marks Act*. It further claims that even if the respondents' use is not confusing, that use nevertheless depreciates the value of the goodwill attaching to its mark, contrary to s. 22 of the Act. The Federal Court concluded that the appellant was not entitled to expungement. Taking all the surrounding circumstances into account, the trial judge found there was little, if any, risk of confusion as to source. She also found that the use by the respondents of their registered trade-marks did not reduce the value of the goodwill attaching to the appellant's VEUVE CLICQUOT mark. The Federal Court of Appeal upheld the decision.

*Held:* The appeal should be dismissed.

The question whether there exists a likelihood of confusion is largely one of fact. Since this is an infringement claim rather than an opposition proceeding, the onus was on the appellant to prove such likelihood on a balance of probabilities. Under s. 6(2) of the *Trade-Marks Act*, confusion occurs "if the use of both trade-marks in the same area would be likely to lead to the inference that the wares or sciences 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." In every case, the factors to be considered when making a determination as to whether a trade-mark is confusing to the somewhat-hurried consumer "in all the circumstances" include, but are not limited to, those enumerated in s. 6(5) of the Act. The fame of the mark is not, as such, an enumerated circumstance (although it is implicit in three of the enumerated factors, namely inherent distinctiveness, the extent to which a mark has become known, and the length of time that it has been used). The trial judge's finding that VEUVE CLICQUOT is a "famous" mark 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. However, the fact of being famous or 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. [14] [19] [21] [26-27]

Here, having regard to all the surrounding circumstances and the evidence before the trial judge, there is no basis to interfere with her conclusion that there was no likelihood of confusion between the two marks in the relevant markets. The VEUVE CLICQUOT trade-mark, registered in 1899, is distinctive. The respondents' women's wear boutiques are also known in the area in which both trade-marks are used. Their marks, which were introduced in 1995, are not famous. However, the difference between the appellant's luxury champagne and the respondents' mid-priced women's wear is significant. While some trade-marks transcend the wares, services and businesses with which they were originally associated, no witness in this case suggested that the VEUVE CLICQUOT mark would be associated by ordinary consumers with mid-priced women's clothing. The respondents' goods and those of the appellant's also move in different channels of trade and distribution. While it was unnecessary to lead evidence of actual confusion, it is nevertheless relevant to note that no such evidence was adduced. The appellant's expert witness did little to suggest a likelihood of confusion; at most, she speculated about possibilities. Having considered all of the surrounding circumstances the trial judge held that ordinary consumers would be unlikely to make any mental link between the marks and the respective wares and services of the parties saying that in her view "... it is not likely that a consumer would think the plaintiff was affiliated with the defendants or that the plaintiff had granted a third party a licence to allow it to use the distinctive part of its mark in association with a women's clothing store". The appellant thus failed to discharge its onus of proving a likelihood of confusion. [6] [28] [31-37]

With respect to the s. 22 depreciation claim, the appellant says that the fame of the VEUVE CLICQUOT mark for upmarket luxury goods is such that associating the name CLICQUOT (albeit misspelled as *Cliquot*) with a mid-range women's clothing store robs the appellant's mark of some of its lustre, blurring its powerful association with top quality luxury goods, and thereby dilutes the distinctive qualities that attract high-end business. If the champagne mark becomes associated in the public mind with a group of mid-price women's clothing shops, the "brand equity" the appellant has been building in France since the 18th century, and in this country since the 19th century, would be devalued and whittled away. Again, however, the onus of proof to establish the likelihood of such depreciation rested on the appellant. Despite the undoubted fame of its mark, the likelihood of depreciation was for the appellant to prove, not for the respondents to disprove, or for the court to presume. [15]

Section 22 of our Act has received surprisingly little judicial attention in the more than half century since its enactment. It seems that where marks are used in a confusing manner the preferred remedy is under s. 20. Equally, where there is no confusion, claimants may have felt it difficult to establish the likelihood of depreciation of goodwill. The two statutory causes of action are conceptually quite different. Under s. 22, a claimant must establish its that (1) its registered trade-mark was used by the defendant in connection with wares or services; that its mark (2) is sufficiently well known to have significant goodwill attached to it; (3) that its mark was used in a manner likely to have an effect on that goodwill (linkage); and (4) that the likely effect would be to depreciate the value of its goodwill (damage). Nothing in s. 22 requires a demonstration that use of both marks in the same geographic area would likely lead to confusion. The appellant need only show that the respondents have 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 appellant's mark. Without such a link, connection or mental association in the consumer's mind between the respondents' display and the VEUVE CLICQUOT mark, there can be no depreciation of the latter. [38] [46] [49]

Goodwill is not defined in the Act. In ordinary commercial use, it connotes the positive association that attracts customers towards its owner's wares or services rather than those of its competitors. A court required to determine the existence of goodwill capable of depreciation by a "non-confusing" use (as here) will want to consider, amongst other circumstances, the degree of recognition of the mark within the relevant universe of consumers, the volume of sales and the depth of market penetration of products associated with the claimant's mark, the extent and duration of advertising and publicity accorded the claimant's mark, the geographic reach of the claimant's mark, its degree of inherent or acquired distinctiveness, whether products associated with the claimant's mark are confined to a narrow or specialized channel of trade or move in multiple channels, and the extent to which the mark is identified with a particular quality. [50] [54]

In the instant case, the trial judge was correct to reject the s. 22 claim. The appellant did not establish that the respondents 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 appellant's mark. First, the respondents never used the appellant's registered trade-mark as such. Although the use of a misspelled *Cliquot* would suffice if the casual observer would associate the mark used by the respondents with the mark of the appellant, the trial judge found that a consumer who saw the word *Cliquot* used in the

respondents' stores would not make any link or connection to the appellant's mark. The appellant's s. 22 claim thus fails at the first hurdle. Second, while there is clearly considerable goodwill attaching to the VEUVE CLICQUOT mark that extends beyond wine and champagne, if the casual consumer does not associate the marks displayed in the respondents' store with the mark of the venerable champagne maker, there can be no impact on the goodwill attached to VEUVE CLICQUOT. The appellant's mark is famous, but a court cannot assume the issue of linkage or mental association in the appellant's favour or reverse the onus onto the respondents to *disprove* such linkage. "Likelihood" is a matter of evidence, not speculation, and the appellant's expert witness did not provide much assistance on this point. Accordingly, the appellant failed to establish the third element of the s. 22 test as well. Lastly, there is no evidence of "depreciation". While the parties agreed to an order under Rule 153 of the *Federal Court Rules* relieving them of any need to call evidence as to damages flowing from *any infringement* alleged in this case (i.e. the s. 20 claim), the essence of liability under s. 22 is precisely the likelihood "of depreciating the value of the goodwill attaching" to the claimant's trade-marks. The *extent* of any actual depreciation might be left to a reference, but likelihood of depreciation is one of the elements of the cause of action. The reference was designed to deal with the subsequent quantification of s. 20 loss or entitlement, not the necessary conditions precedent to s. 22 liability. [38] [48-49] [55-61] [68-70]

The respondents argued that the 1997 registration of their trade-mark *Cliquot* and *Cliquot « Un monde à part »* is a complete answer to the appellant's claim. However the appellant put the validity of the registrations in issue and sought their expungement. Had the appellant succeeded in obtaining expungement, no doubt the respondents could have argued that they ought not to be liable to pay compensation



attributable to the period during which their own registrations were in effect. However, as the appellants have not succeeded on this appeal, the scope of compensation is not an issue that arises for determination in this case. [16]

### **Cases Cited**

**Followed:** *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22; **referred to:** *Pink Panther Beauty Corp. v. United Artists Corp.*, [1998] 3 F.C. 534; *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.*, [2001] 2 F.C. 15; *Canadian Council of Blue Cross Plans v. Blue Cross Beauty Products Inc.*, [1971] F.C. 543; *Benson & Hedges (Canada) Ltd. v. St. Regis Tobacco Corp.*, [1969] S.C.R. 192; *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *Mastercard International Inc. v. Hitachi Credit (UK) Plc*, [2004] EWHC 1623; *Pebble Beach Co. v. Lombard Brands Ltd.*, [2002] S.L.T. 1312, [2002] ScotCS 265; *Daimlerchrysler AG v. Alavi*, [2001] R.P.C. 42, [2000] EWHC Ch 37; *Baywatch Production Co. v. Home Video Channel*, [1997] F.S.R. 22; *Manitoba Fisheries Ltd. v. The Queen*, [1979] 1 S.C.R. 101; *Clairol International Corp. v. Thomas Supply & Equipment Co.*, [1968] 2 Ex. C.R. 552; *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796 (2002); *Tiffany & Co. v. Boston Club, Inc.*, 231 F.Supp. 836 (1964); *Polaroid Corp. v. Polaroid, Inc.*, 319 F.2d 830 (1963); *Exxon Corp. v. Exxene Corp.*, 696 F.2d 544 (1982); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (1979); *Edgar Rice Burroughs, Inc. v. Manns Theatres*, 195 U.S.P.Q. 159 (1976); *Mattel Inc. v. Jcom Inc.*, 48 U.S.P.Q.2d 1467 (1998); *Toys “R” Us, Inc. v. Akkaoui*, 40 U.S.P.Q.2d 1836 (1996); *Anheuser-Busch, Inc. v. Andy’s Sportswear, Inc.*, 40 U.S.P.Q.2d 1542 (1996).

### **Statutes and Regulations Cited**

*Federal Court Rules, 1998*, SOR/98-106, rule 153.

*Federal Trademark Dilution Act of 1995*, H.R. Rep. No. 104-374 (1995), reprinted in 1995 U.S.C.C.A.N. 1029.

*Lanham Trade-Mark Act*, 15 U.S.C.A. §§ 1051 *et seq.*

*Trademark Dilution Revision Act of 2006*, H.R. 683, 109th Cong. (2006).

*Trade-marks Act*, R.S.C. 1985, c. T-13, ss. 2 “confusing”, 4(1), (2), 6(1), (2), (5), 7, 18, 19, 20, 22, 53.2.

*Trade Marks Act 1994* (U.K.), 1994, c. 26, arts. 5, 10.

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*New Shorter Oxford English Dictionary*, 5th ed. Oxford: Oxford University Press, 2002, “depreciate”.

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### **International Documents**

European Communities. *First Council Directive 89/104/EEC of December 21, 1988 to Approximate Laws Relating to Trade Marks*, [1989] O.J. L. 40/1, arts. 4, 5.

European Communities. *First Council Regulation 40/94/EEC of December 20, 1993 on the Community Trade Mark*, [1994] O.J. L. 11/1.

APPEAL from a judgment of the Federal Court of Appeal (Desjardins, Noël and Nadon JJ.A.) (2004), 35 C.P.R. (4<sup>th</sup>) 1, [2004] F.C.J. No. 733 (QL), 2004 FCA 164, affirming a decision of Tremblay-Lamer J. (2003), 232 F.T.R. 11, 28 C.P.R. (4<sup>th</sup>) 520, [2003] F.C.J. No. 148 (QL), 2003 FCT 103. Appeal dismissed.

*Jacques A. Léger, Q.C., Barry Gamache and Marie-France Major*, for the appellant.

*Louis Coallier and Alexandre Ajami*, for the respondents.

*Scott Jolliffe and Kevin Sartorio*, for the intervener.

The following are the reasons delivered by

1           BINNIE J. — Among those with champagne tastes, the brand of Veuve Clicquot Ponsardin is considered among the very best. It has been building its fine reputation with the drinking classes since before the French Revolution. Much credit is given to the efforts of the redoubtable Nicole Ponsardin Clicquot, widowed at the age of 27, who defied the convention of the day by taking the helm of her late husband's small Champagne house in 1805 and has ever since been celebrated as *La Veuve* (the widow) and *La Grande Dame de la Champagne* (the *grande dame* of champagne). She lived almost 90 years and died in 1866. The venerable house of champagne has registered numerous marks in Canada on the *Veuve Clicquot* theme, including *La Grande Dame*. The appellant now seeks to stop the respondents' small group of six women's wear shops in the Québec, Sherbrooke, Montréal and Ottawa regions from using the trade-name *Clicquot* and the respondents' own registered trade-marks *Clicquot* and *Clicquot \_Un monde à part\_* and to have these trade-marks expunged from the Register. The trade-marks of the appellant and respondents have co-existed in Quebec and eastern Ontario for about 10 years. The appellant claims that consumers will likely be confused that the women's clothing and the champagne originate with the same source, thereby infringing the registered trade-marks of the appellant contrary to s. 20 of the *Trade-marks Act*, R.S.C. 1985, c. T-13. The appellant further claims that even if the use by the respondents is not confusing, it nevertheless depreciates the value of the goodwill attached to the appellant's marks, contrary to s. 22 of the Act.

2           Within its wide circle of admirers, VEUVE CLICQUOT is undoubtedly famous and its trade-mark deserves wide protection not only from free-riders but from those who, without any intention of free-riding, nevertheless use in their own business distinguishing marks which create confusion or depreciate the value of the goodwill

attaching to those of the appellant. In this case, however, the trial judge found that taking into account all the surrounding circumstances, there was little (if any) risk of confusion as to source. As to the alleged depreciation of the value of the goodwill, there was no evidence of any likelihood that as a result of the respondents' use of *Cliquot* or *Cliquot « Un monde à part »*, the power of the VEUVE CLICQUOT mark to identify and distinguish the appellant's products was lessened, or that its brand image was tarnished, or that the goodwill attaching to its brand was otherwise devalued or diluted. In the result, the trial judge was not persuaded that use by the respondents of its marks violated s. 22 of the Act. The Federal Court of Appeal agreed. Accordingly, the courts below concluded that the appellant had not, on the evidence, established either claim. I agree with that conclusion. Accordingly, the appeal should be dismissed.

#### I. Facts

3           The appellant, Veuve Clicquot Ponsardin, Maison fondée en 1772, operates under its own name and under associated trade-names, the business of making, distributing and selling wines and alcoholic beverages, notably champagne, across Canada and in many countries of the world. Its Canadian trade-mark registrations include VEUVE CLICQUOT, VEUVE CLICQUOT PONSARDIN, PRIX VEUVE CLICQUOT and LA GRANDE DAME and distinctive designs utilising those words (all of which I will refer to collectively as the VEUVE CLICQUOT mark) for wines and champagne. The trade-marks, or variants thereof, have been used in connection with these products in Canada since at least 1899. More recently, VEUVE CLICQUOT has appeared on a range of promotional items (not offered for sale in Canada) including fashion wares such as vests, scarves and women's dresses and, for men, ties, bow ties and waistcoats.

4           The appellant called evidence that its marketing strategy was to some extent aimed at women, and there was evidence of different events in Canada held to associate its brand with women of achievement (including a prize for the Business Woman of the Year in the 1980s). The appellant called an expert to discuss the importance of trade-marks in relation to luxury goods like champagne. The expert noted the potential expansion of trade-marks (or “brands”) like VEUVE CLICQUOT into other luxury markets. According to this witness, “If a mark in the luxury field is associated with products of a quality lower than the quality of its original sector, such a mark is likely to lose its prestige as a luxury mark” (2003), 232 F.T.R. 11, 2003 FCT 103, at para. 21. The Court heard evidence that the VEUVE CLICQUOT trade-mark lends itself to an expansion beyond the products with which it was originally associated because it exhibits the four relevant fundamental characteristics of elasticity and mark extension, namely credibility, relevance, differentiation and elasticity. The issue was whether use by the respondents of the trade-mark *Cliquot* for their women’s clothing stores could lead a purchaser having an imperfect recollection of the appellant’s mark to confuse the one mark with the other. If so, the mistaken inference would thereby diminish the capacity of the appellant’s mark to identify and distinguish the appellant’s goods.

5           The respondents operate stores under the names *Les Boutiques Cliquot* and *Cliquot* at six locations in Quebec and Ottawa retailing women’s clothing in the mid-price range targeted largely at career women. The second respondent, Mademoiselle Charmante Inc., is the registered owner of the trade-mark *Cliquot* and *Cliquot « Un monde à part »* which it has used since 1995. These marks were registered on August 1, 1997. The word *Cliquot* appears on the exterior sign at each of these locations, on bags and wrapping as well as on business cards and invoices, but not on the

clothing itself. Under s. 19 of the Act, the respondents' marks are presumptively valid, and entitles them to use the marks as described above.

6           The appellant's expert, Mme Monique Abitbol, testified that she had visited one of the respondents' stores and felt that [TRANSLATION] "this shop seems to put on airs of luxury without actually being a luxury shop". (That was the substance of her commentary on the respondents. She did not venture an opinion on the impact of their use of trade-marks. Another witness, Yves Simard, purported to do so, but his evidence on this point was ruled unexpert and inadmissible.) While it was unnecessary to lead evidence of actual confusion, it is nevertheless relevant to note that no such evidence was adduced by the appellant in this case, leaving proof of the likelihood of both confusion and depreciation in the hands of the expert witnesses. Apart from Mme Abitbol and Mr. Simard, none of the appellant's witnesses addressed these issues.

7           Both the owner and the buyer of the respondents testified. The latter testified that she had seen an advertisement for the appellant's products in a magazine and that the word CLICQUOT had attracted her attention because it reminded her of the expression "*ça clique*" ("this is great") (hence the different spelling). The former said he liked the idea and contacted his lawyer before commencing use of the trade-mark *Cliquot* and that he had been advised that such use presented no legal difficulties. As stated, the Registrar subsequently approved the marks for registration. A witness for the appellant testified that the respondents' application had not come to its attention prior to registration.

## II. Relevant Statutory Provisions

8           See Appendix.

### III. History of the Proceedings

#### A. *Relevant Interlocutory Proceedings*

9           The appellant instituted these proceedings on November 5, 1998. Eventually, the parties consented to an order permitting them “to proceed to trial without adducing evidence upon any question as to the damages and accounting of profits flowing from any infringement alleged in this case” (emphasis added). No such order was sought or granted in relation to the s. 22 depreciation claim.

#### B. *Federal Court* (2003), 232 F.T.R. 11, 2003 FCT 103

10           On the basis of the evidence before the court, Tremblay-Lamer J. concluded that (i) the advertisement seen by the respondents’ buyer could not have been any other than the appellant’s; (ii) the distinctive aspect of the appellant’s trade-marks is the word CLICQUOT; (iii) the appellant’s promotional wares covered a nondescript group of items only some of which could be regarded as for women (scarves and nightgowns). These articles were only offered for promotional purposes and the evidence did not establish that the plaintiff developed any strategy by which its mark was the subject of an extension into the fashion field or that it contemplated extending it into women’s clothing in the future.; (iv) women constitute a market targeted by the appellant; (v) the appellant had not altered its trade-marks since their origin so as to extend them to other goods; (vi) the appellant’s evidence had not established any connection with the fashion world.



11           The trial judge acknowledged that, for confusion to occur, it was not at all necessary that the wares belong to the same general category. The appellant's trade-marks are inherently distinct and are entitled to a broad measure of protection. Moreover, the word CLICQUOT being the key element of the trade-mark, "I feel that there is a great degree of resemblance between the marks of the plaintiff and those of the defendants" (para. 66). However, she noted "there is no connection between the plaintiff's activities and those of the defendants" (para. 74). She noted, as well, that the role of the court was to take each of the factors in s. 6(5) into account "appropriately" and that "[t]he 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" (para. 75). On that basis, she found, ". . . it is not likely that a consumer would think the plaintiff was affiliated with the defendants or that the plaintiff had granted a third party a licence to allow it to use the distinctive part of its mark in association with a women's clothing store" (emphasis added (para. 76)). She referred in this respect to the decisions of the Federal Court of Appeal in *Pink Panther Beauty Corp. v. United Artists Corp.*, [1998] 3 F.C. 534, and *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.*, [2001] 2 F.C. 15 ("*Lexus*").

12           The trial judge then turned to the arguments of the appellant that the use by the respondents of the trade-mark *Cliquot* depreciates the value of the goodwill attached to the appellant's VEUVE CLICQUOT marks. She noted that the clothing sold by the respondents did not carry the label *Cliquot*. The respondents' products as such were therefore not associated with the appellant's trade-mark. Referring to her finding that confusion was not at all likely, the trial judge stated that "Although confusion is not the test laid down in s. 22, I consider that it [confusion] is still necessary for there to be an association between the two marks. In other words, a consumer has to be able to make a

connection between the parties in order for there to be depreciation of the goodwill attaching to the trade mark” (para. 94). In support of this conclusion, she cited *Canadian Council of Blue Cross Plans v. Blue Cross Beauty Products Inc.*, [1971] F.C. 543 (T.D.). In the absence of any connection between the two trade-marks, however, the trial judge concluded that “the defendants’ trade-marks do not depreciate the value of the goodwill attaching to the trade-mark CLICQUOT, and that there has been no breach of s. 22 of the Act” (para. 97). The appellant was not entitled to expungement.

C. *Federal Court of Appeal* (2004), 35 C.P.R. (4th) 1, 2004 FCA 164 (Desjardins, Noël and Nadon JJ.A.)

13 Noël J.A., writing for a unanimous court, concluded that the findings of the trial judge were supported by the evidence, and she had properly applied the law relating to confusion as laid down in *Pink Panther* and other cases. With respect to the claim under s. 22, he noted it was not established before the trial judge that the use by the respondents of their marks was likely to diminish the value associated with the appellant’s marks (para. 10). For these reasons, the appeal was dismissed.

#### IV. Analysis

14 This case is all about “FAMOUS” trade-marks. While less-than-famous trade-marks largely operate in their circumscribed field of wares, services and businesses, it is argued that “famous” marks transcend such limitations, and that broad effect must be given to the owner’s remedies in respect of likely confusion in the marketplace (s. 20) and likely depreciation of the value of the goodwill (s. 22) with that transcendence in mind. With respect to the s. 20 infringement claim, the fame of VEUVE CLICQUOT is such, the appellant says, that consumers who walk into the

respondents' women's clothing shops will likely be confused into believing the dresses and fashion apparel come from the same source as the champagne, even though the type of product is very different, the products flow in different channels of trade and the registered trade-marks do not appear on the respondents' garments. Regardless of these differences, fame conquers all, and the appellant seeks expungement of the respondents' marks and an injunction. Whether or not there exists a likelihood of confusion is largely a question of fact. As this is an infringement claim (rather than an opposition proceeding before the Trade-marks Opposition Board), the onus was on the appellant to prove such likelihood on a balance of probabilities.

15           With respect to the s. 22 depreciation claim, the appellant says that the fame of the VEUVE CLICQUOT mark for upmarket luxury goods is such that associating the name CLICQUOT (albeit misspelled as *Cliquot*) with a mid-range women's clothing store robs the appellant's mark of some of its lustre, blurring its powerful association with top quality luxury goods, and thereby diluting the distinctive qualities that attract high-end business. If the champagne mark becomes associated in the public mind with a group of mid-price women's clothing shops, the "brand equity" the appellant has been building in France since the 18th century, and in this country since the 19th century, would be devalued and whittled away. Again, however, the onus of proof to establish the likelihood of such depreciation rested on the appellant. Despite the undoubted fame of the mark, the likelihood of depreciation was for the appellant to prove, not for the respondents to disprove, or for the court to presume.

16           The respondents say that the 1997 registration of their trade-mark *Cliquot* and *Cliquot « Un monde à part »* is a complete answer to the appellant's claim. I do not agree. The appellant has put the validity of the registrations in issue and seeks

expungement. Were the appellant to succeed in obtaining expungement, no doubt the respondents could argue that they ought not to be liable to pay compensation attributable to the period during which their own registrations were in effect. However, as the appellant has not succeeded on this appeal, the scope of compensation is not an issue that arises for determination in this case.

17 I will deal with each of the appellant's claims in turn.

*A. Infringement: The Creation of Confusion in the Marketplace*

18 As discussed in the companion case of *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, released concurrently, the purpose of trade-marks is to function as a symbol of the source and quality of wares and services, to distinguish those of the merchant from those of another, and thereby to prevent "confusion" in the marketplace. Confusion is to be understood, however, in a special sense. Parliament states in s. 6(1) that confusion occurs

if the use of the [appellant's] trade-mark or trade-name would cause confusion with the [respondents'] trade-mark or trade-name in the manner and circumstances described in this section.

19 Such confusion occurs, we learn in s. 6(2)

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.

20           The test to be applied is a matter of first impression in the mind of a casual consumer somewhat in a hurry who sees the name *Cliquot* on the respondents' storefront or invoice, at a time when he or she has no more than an imperfect recollection of the VEUVE CLICQUOT trade-marks, and does not pause to give the matter any detailed consideration or scrutiny, nor to examine closely the similarities and differences between the marks. As stated by Pigeon J. in *Benson & Hedges (Canada) Ltd. v. St. Regis Tobacco Corp.*, [1969] S.C.R. 192, at p. 202:

It is no doubt true that if one examines both marks carefully, he will readily distinguish them. However, this is not the basis on which one should decide whether there is any likelihood of confusion.

. . . the marks will not normally be seen side by side and [the Court must] guard against the danger that a person seeing the new mark may think that it is the same as one he has seen before, or even that it is a new or associated mark of the proprietor of the former mark.

(Citing in part *Halsbury's Laws of England*, 3rd ed., vol. 38, para. 989, at p. 590.)

21           In every case, the factors to be considered when making a determination as to whether or not a trade-mark is confusing to the somewhat-hurried consumer "in all the circumstances" include, but are not limited to, those enumerated in s. 6(5) of the Act. These are: "(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". The list of circumstances is not exhaustive and different circumstances will be given different weight in a context-specific assessment, as discussed in *Mattel*.

22           The appellant is now part of the Louis Vuitton luxury goods group. As one of its witnesses put it, [TRANSLATION] “We are craftspeople of luxury goods”. The appellant exports 85 percent of its production worldwide to 100 or so countries and, making the most of its roots in France’s *ancien régime*, the marketing of the appellant’s champagne evokes aristocratic associations tinged with post-revolutionary romanticism. It is proudly said, for example, that in 1814 La Veuve was able to smuggle a shipment of her champagne to Russia, breaking a European blockade and ensuring that her champagne would be the first to reach the Imperial Court of Alexander I at Saint Petersburg. The appellant led evidence that people associated with the appellant commonly refer to the company as CLICQUOT and the champagne itself is sometimes called simply CLICQUOT.

23           The appellant called Mme Abitbol, an expert in luxury brands, who affirmed the fame of the appellant’s marks but also acknowledged that she was unaware of the mark being utilized by the appellant for anything other than champagne. She felt it had the potential for broader exploitation in the luxury goods market. She cited the definition of “*luxe*”(luxury) in *Le Petit Robert* as a [TRANSLATION] “lifestyle characterized by lavish spending to purchase non-essential goods out of a taste for ostentation and greater well-being” but in her view, the concept of “*luxe*” had lost some of its narrow somewhat snobbish connotation in recent years.

24           The respondents’ stores, on the other hand, sell clothing that is marketed as good value rather than ostentatious, appealing to the career woman rather than *grandes dames*. Mr. Harvey Kom testified that the “target customers” of the respondents’ boutiques are

A. . . . young missy woman from twenty-five (25) to sixty (60) or fifty (50) years old, and with nice clothes with brand names.

Q. Brand names such as . . . ?

A. Well, at that particular time we had Jones, we have Conrad C, we have Spanner, we have Luta, we have Simon Chang, we have Steelman. . . .

. . .

Q. . . . Do you sell fur coats in . . .

A. No, we don't.

Q. Does the word "Clicquot" appear on any of the clothing in any of your Clicquot Boutiques?

A. It does not appear in any of the clothing.

Q. What is on the label of the clothing?

A. Either the manufacturer or the importer or their trade name.

25           The respondents' stores sell dresses, coats, sweaters, blouses, pants, jackets, belts, scarves and pins. Its wares do not intermingle with those of the appellant:

Q. And had you ever offered for sale in your boutiques any Champagne, Sparkling Wines, Beer or any other type of alcoholic drink?

A. Not at all.

Q. Have you ever seen women's clothing offered for sale in any of the liquor stores in Canada that you have visited?

Q. Not at all.

26           The finding that VEUVE CLICQUOT is a "famous" mark 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 evidence is clear 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. However, the same appellant's expert testified that the respondents' stores were not in the luxury class, and the question before the trial judge was whether potential shoppers in that mid-priced market, perhaps imperfectly recalling the famed VEUVE CLICQUOT mark, would be likely to infer (mistakenly) that the clothing is associated in some way with the source of the champagne. Whether the VEUVE CLICQUOT aura extends to the facts of a particular infringement case is a matter not of assertion, but of evidence. On the point of infringement, the trial judge ruled inadmissible the evidence of the appellant's witness Yves Simard because, in this respect, the opinion went beyond Mr. Simard's area of expertise. She said:

His expertise in branding did not qualify him to assess the consumer's reaction and the possibility of confusion with the defendants' stores. [para. 35]

27 The appellant contends that the trial judge misdirected herself in law because of her reliance on the decisions of the Federal Court of Appeal in *Pink Panther* and *Lexus*. For the reasons set out in *Mattel*, I agree with the appellant and the intervener, International Trademark Association, that *Pink Panther* and *Lexus* put too much emphasis on the similarities and dissimilarities in "the nature of the wares, services or business" (ss. 6(5)(c)), and to that extent strayed from the statutory "all the surrounding circumstances" test. However, on a fair reading of her reasons, the trial judge here did apply the "all the surrounding circumstances" test. She concluded:

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. [Emphasis added; para. 75.]

The s. 6(5) list is clearly not exhaustive. Some enumerated factors may not be particularly relevant in a specific case, and in any event their weight will vary with “all the surrounding circumstances”. The fame of the mark is not, as such, an enumerated circumstance (although it is implicit in three of the enumerated factors, namely inherent distinctiveness, the extent to which a mark has become known, and the length of time that it has been used). Undoubtedly fame (or strength) is a circumstance of great importance because of the hold of famous marks on the public mind. With that introduction, I turn to discuss the statutory list.

(1) The Inherent Distinctiveness of the Trade-marks or Trade-names and the Extent to Which They Have Become Known

28 The VEUVE CLICQUOT trade-marks are distinctive. Clicquot, according to the evidence, is the founder’s family name. Yet over the years, particularly in association with *La Veuve*, it has acquired a strong secondary meaning among people who have even a passing acquaintance with champagne. It is a famous brand (particularly in association with its traditional scroll and display) and is well known in the respondents’ trade area.

29 The respondents’ women’s wear boutiques are also known in the area in which both trade-marks are used, and serve to distinguish its services from its competitors. Their registered marks are not “famous” marks.

(2) The Length of Time the Trade-marks and Trade-names Have Been in Use

30 The appellant's trade-marks were registered in 1899 and have thus had over 100 years to acquire the ability to identify and distinguish the appellant's wine and champagne in the Canadian market. The respondents' mark was not introduced until 1995.

(3) The Nature of the Wares, Services or Business

31 Luxury champagne and mid-priced women's wear are as different as chalk and cheese but the intervener argues 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. [INTA factum, at para. 29.]

32 This proposition, with respect, is an oversimplification. 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.

33 While the halo effect or aura of the VEUVE CLICQUOT mark is not necessarily restricted to champagne and related promotional items and *could* expand more broadly into the luxury goods market, no witness suggested the mark would be associated by ordinary consumers with mid-priced women's clothing. Thus, in considering all of the relevant circumstances, the trial judge was of the opinion ". . . that the key factor is the

significant difference between the plaintiff's wares and those of the defendants" and that "[t]he plaintiff's activities and those of the defendants are so different that there is no risk of confusion in consumers' minds" (para. 76). In weighing up the s. 6(5) factors, this was an emphasis she was entitled to place in this particular case. Section 6(2) recognizes that the ordinary somewhat-hurried consumer may be misled into drawing the mistaken inference "whether or not the wares or services are of the same general class", but it is still a question for the court as to whether in all the circumstances such consumers are *likely* to do so in a particular case.

(4) The Nature of the Trade

34 The respondents' and appellant's goods move in different channels of trade and distribution. The respondents' stores do not stock the goods associated in the public mind, directly or indirectly, with the appellant's trade-marks.

(5) The Degree of Resemblance Between the Trade-marks or Trade-names in Appearance or Sound or in the Ideas Suggested by Them

35 The trial judge found a resemblance in the trade-marks, despite the different spelling of Cliquot, and despite the usual association of CLICQUOT with VEUVE in the appellant's mark. For confusion to exist, it is not necessary that the trade-marks be identical, only that the "same idea" is sufficiently conveyed to the mind of the somewhat-hurried consumer to induce the mistaken inference.

36 The trial judge held that ordinary consumers would be unlikely to make any mental link between the marks and the respective wares and services of the parties

saying that in her view “. . . it is not likely that a consumer would think the plaintiff was affiliated with the defendants or that the plaintiff had granted a third party a licence to allow it to use the distinctive part of its mark in association with a women’s clothing store” (para. 76)”. This finding was critical, because as Professors Gervais and Judge write:

A mark, in other words, is not protected *per se* as an isolated object but rather as an indicator of *source* to distinguish one person’s goods (or services) from another person’s. [Emphasis in original; p. 189.]

...

The *purpose* and the *value* of a mark is the mental link that is created over time in the minds of prospective buyers between a mark and the goods or services of a particular source. [Emphasis in original; p. 245.]

(D. Gervais and E.F. Judge, *Intellectual Property: The Law in Canada* (2005))

37 No evidence was led of *actual* confusion, and Mme Abitbol’s expert evidence did little to suggest the *likelihood* of confusion. At most, she speculated in possibilities. 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 my view, we have been shown no basis on which to interfere with that conclusion.

#### B. *Likelihood of Depreciation of the Value of Goodwill*

38 The conclusion that use of the trade-marks “in the same area” would not lead to confusion is not an end to the case. Here, unlike in *Mattel*, there is an additional ground of complaint. Section 22(1) provides:

**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.

The depreciation argument, while it was treated as something of a poor cousin by the appellant in the courts below, and was not the subject of much evidence, was brought to the fore in this Court in part due to the intervention of the International Trademarks Association. Nothing in s. 22 requires a demonstration that use of both marks in the same geographic area would likely lead to confusion. The appellant need only show that the respondents have 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 appellant’s mark.

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 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.]

41 In the United States, the House of Representatives reported in 1995 on a similar remedy (labelled “anti-dilution”) added by way of amendment to the U.S. *Trademark Act* of 1946 (the *Lanham Trade-Mark Act*, 15 U.S.C.A. §§ 1051 *et seq.*):

. . . The provision is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark. . . .

Dilution does not rely upon . . . likelihood of confusion . . . Rather, it applies when the unauthorized use of a famous mark reduces the public’s perception that the mark signifies something unique, singular, or particular. . . .

(*Federal Trademark Dilution Act of 1995*, H.R. Rep. No. 104-374 (1995), reprinted in 1995 U.S.C.C.A.N. 1029, at p. 1030)

42 While the text of the U.S. *Lanham Trade-Mark Act* is different from s. 22, the following comment in the American Restatement also provides sensible guidance:

[I]n apparent recognition that broad interpretation of the statutes would undermine the balance between private and public rights reflected in the traditional limits of trademark protection, the courts have continued to confine

the cause of action for dilution to cases in which the protectable interest is clear and the threat of interference is substantial.

*(Restatement (Third) of Unfair Competition \_ 25 comt, b (1995))*

43 In 2003, the U.S. Supreme Court denied the anti-dilution remedy to *Victoria's Secret*, the women's lingerie chain, which had sued *VICTOR'S LITTLE SECRET*, an adult novelty store selling "tawdry merchandise": *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003). Under the federal Act, as it then stood, proof of actual harm rather than just likelihood (as under our Act) was required. The court commented however that

. . . at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution. . . .

"Blurring" is not a necessary consequence of mental association. (Nor for that matter, is "tarnishing.") [pp.433-34]

Equally, in my opinion, a mental association of the two marks does not, under s. 22, necessarily give rise to a likelihood of depreciation. (A bill in the U.S. to reduce the threshold to likelihood has been enacted by Congress and awaits the President's signature. See *Trademark Dilution Revision Act of 2006*, H.R. Rep. No. 683, 109 Cong. (2006).)

44 A similar anti-dilution remedy is also contemplated by arts. 4 and 5 of the First Council Directive of the European Union (89/104/EEC) dated December 21, 1988 and implemented for the European Community through Council Regulation (EC) No 40/94 dated December 20, 1993. Called an "anti-detriment" remedy in the United Kingdom, it is found in ss. 5 and 10 of the *Trade Marks Act 1994*, 1994, c. 26. The courts in the United Kingdom have been sparing in their award of this remedy, as is illustrated by

*Mastercard International Inc. v. Hitachi Credit (UK) Plc*, [2004] EWHC 1623 (Ch.) (confirming the dismissal of Mastercard’s opposition to the trademark Credit Master for a credit card); *Pebble Beach Co. v. Lombard Brands Ltd.*, [2002] S.L.T. 1312, [2002] ScotCS 265 (refusing to grant a preliminary injunction against whisky makers using the trademark “Pebble Beach” when the owners of the famous American golf course claimed these marks were detrimental to their own); *DaimlerChrysler AG v. Alavi*, [2001] R.P.C. 42, [2000] EWHC Ch 37 (where the court rejected the claim of Mercedes-Benz against the defendant’s MERC trade marks, used in association with a clothing and shoe business), and *Baywatch Production Co. v. Home Video Channel*, [1997] F.S.R. 22 (Ch.) (where the court found that the broadcasting of “Babewatch”, which contained sexually explicit material, was not detrimental to the “Baywatch” trade mark).

45 The depreciation or anti-dilution remedy is sometimes referred to as a “super weapon” which, in the interest of fair competition, needs to be kept in check. In his leading six-volume U.S. treatise on trademark law, Professor J.T. McCarthy writes in terms that, substituting depreciation for dilution, are directly applicable to this case:

Even the probability of dilution should be proven by evidence, not just by theoretical assumptions about what possibly could occur or might happen. . . . the courts should separate any anti-dilution claim into its discrete elements and rigorously require a showing of proof of those elements.

(J. T. McCarthy, *McCarthy on Trademarks and Unfair Competition*, vol. 4 (4th ed. loose-leaf 2005), \_ 24:67.1 at p. 24-136)

46 Section 22 of our Act has received surprisingly little judicial attention in the more than half century since its enactment. It seems that where marks are used in a confusing manner the preferred remedy is under s. 20. Equally, where there is no confusion, claimants may have felt it difficult to establish the likelihood that depreciation of the



value of the goodwill would occur. Be that as it may, the two statutory causes of action are conceptually quite different. Section 22 has four elements. Firstly, 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. Secondly, 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 (in contrast to the analogous European and U.S. laws), but a defendant cannot depreciate the value of the goodwill that does not exist. Thirdly, the claimant's mark was used in a manner *likely* to have an effect on that goodwill (i.e. linkage) and fourthly that the *likely* effect would be to depreciate the value of its goodwill (i.e. damage). I will address each element in turn.

(1) Use of the Claimant's Registered Mark

47 “Use” is defined in s. 4(1) of the Act as follows:

**4.**

(1) A trade-mark is deemed to be used in association with wares 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 person to whom the property or possession is transferred.

(2) 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.

...

48 The appellant acknowledges that the respondents never used its registered trade-marks as such, but says that use of the word *Cliquot* conveys the idea. I agree it was no

defence that *Cliquot* is differently spelled. If the casual observer would recognize the mark used by the respondents as the mark of the appellant (as would be the case if *Kleenex* were spelled *Klenex*), the use of a misspelled *Cliquot* would suffice. The requirements of s. 22 have to be interpreted in light of its remedial purpose. As Dr. Fox noted, albeit in relation to infringement:

. . . in the course of use[r] of a trade mark the purch[a]sing public may come to regard something that does not constitute the whole of the registered trade mark as being the distinguishing feature, and it is therefore possible . . . only that portion of [the registered trademark] that consists of the name of the owner will commend itself to them as the distinguishing feature.

(Fox, *The Canadian Law of Trademarks and Unfair Competition* (3<sup>rd</sup> ed. 1972), at p. 376. See now *Fox on Canadian Law of Trade-Marks and Unfair Competition*, (4th ed. (loose-leaf)), at p. 8-49)

49 The appellant led evidence that “Clicquot” was the distinguishing feature of the VEUVE CLICQUOT mark. This was accepted by the trial judge; however, she went on to hold:

In my view a consumer who saw the word “Cliquot” used in the defendants’ stores would not make any link or connection to the [plaintiff’s mark]. [para. 96]

This, it seems to me, is the critical finding which the appellant must overcome if its appeal is to succeed. Without such a link, connection or mental association in the consumer’s mind between the respondents’ display and the VEUVE CLICQUOT mark, there can be no depreciation of the latter. As Professor McCarthy writes:

. . . if a reasonable buyer is not at all likely to think of the senior user’s trademark in his or her own mind, even subtly or subliminally, then there can be no dilution. That is, how can there be any “whittling away” if the buyer, upon seeing defendant’s mark, would never, even unconsciously, think of the plaintiff’s mark? So the dilution theory presumes *some kind of mental association* in the

reasonable buyer's mind between the two parties and the mark. [Footnote omitted, emphasis in original; \_ 24:70, at p. 24-143.]

The appellant's s. 22 claim fails at the first hurdle.

(2) Proof of Goodwill

50 Goodwill is not defined in the Act. In ordinary commercial use, it connotes the positive association that attracts customers towards its owner's wares or services rather than those of its competitors. In *Manitoba Fisheries Ltd. v. The Queen*, [1979] 1 S.C.R. 101, at p. 108, this Court adopted the following definition of "goodwill":

"Goodwill" is a word sometimes used to indicate a ready formed connection of customers whose custom is of value because it is likely to continue. But in its commercial sense the word may connote much more than this. It is, as Lord Macnaghten observed in *Inland Revenue Commissioners v. Muller & Co.'s Margarine Ltd.* [1901] A.C. 217, 224, "the attractive force which brings in custom," and it may reside, not only in trade connections, but in many other quarters, such as particular premises, long experience in some specialised sphere, or the good repute associated with a name or mark. It is something generated by effort that adds to the value of the business. [Emphasis added.]

(Quoting Lord MacDermott L.C.J. in *Ulster Transport Authority v. James Brown and Sons Ltd.*, [1953] N.I. 79, at pp. 109-110)

51 In *Lindley & Banks on Partnership* (18th ed. 2002), the expression "goodwill", when applied to a business, "is generally used to denote the benefit arising from connection and reputation; and its value is what can be got for the chance of being able to keep that connection and improve it" (p. 241).

52 In *Clairol International Corp. v. Thomas Supply & Equipment Co.*, [1968] 2 Ex. C.R. 552, Thurlow J. adopted the following definition of goodwill attaching to a trade-mark at p. 573:

[T]he goodwill attaching to a trade mark is I think that portion of the goodwill of the business of its owner which consists of the whole advantage, whatever it may be, of the reputation and connection, which may have been built up by years of honest work or gained by lavish expenditure of money and which is identified with the goods distributed by the owner in association with the trade mark.

53 Section 22 presupposes the existence of significant goodwill capable of being depreciated by a non-confusing use. In the United States the “dilution” remedy requires proof that the mark is “famous”, a concept that generally requires proof that the fame (and goodwill) of the mark transcends the wares or services with which the mark is usually associated. As the American Restatement notes:

As a general matter, a trademark is sufficiently distinctive to be diluted by a nonconfusing use if the mark retains its source significance when encountered outside the context of the goods or services with which the mark is used by the trademark owner.

*(Restatement (Third) of Unfair Competition \_ 25 comt, e (1995))*

54 While “fame” is not a requirement of s. 22, a court required to determine the existence of goodwill capable of depreciation by a “non-confusing” use (as here) will want to take that approach into consideration, as well as more general factors such as the degree of recognition of the mark within the relevant universe of consumers, the volume of sales and the depth of market penetration of products associated with the claimant’s mark, the extent and duration of advertising and publicity accorded the claimant’s mark, the geographic reach of the claimant’s mark, its degree of inherent or acquired

distinctiveness, whether products associated with the claimant's mark are confined to a narrow or specialized channel of trade, or move in multiple channels, and the extent to which the mark is identified with a particular quality. See generally F.W. Mostert, *Famous and Well-Known Marks: An International Analysis* (1997), at pp. 11-15; *Protection of Well Known Marks in the European Union, Canada and the Middle East*, INTA, (October 2004).

55 Applying the foregoing criteria, there is clearly considerable goodwill attaching to the VEUVE CLICQUOT mark that extends beyond wine and champagne. Madame Abitbol so testified and the trial judge proceeded on that basis. The live issues here are the last two of the four s. 22 elements, namely the likelihood of linkage and the likelihood of depreciation.

(3) The Likely Connection or Linkage Made by Consumers Between the Claimant's Goodwill and the Defendants' Use

56 As already mentioned, the appellant's expert Mme Abitbol failed to provide much assistance on this point. On the evidence before her, the trial judge found that "[i]n my view a consumer who saw the word 'Cliquot' used in the defendants' stores would not make any link or connection to the plaintiff" (para. 96). If the somewhat-hurried consumer does not associate what is displayed in the respondents' stores with the mark of the venerable champagne maker, there can be no impact – positive or negative – on the goodwill attached to VEUVE CLICQUOT.

57 The appellant seeks to have the Court assume in its favour the issue of linkage or mental association, or at least to reverse the onus onto the respondents. For example, in its reply factum the appellant states:

[TRANSLATION] The association of a luxury mark with products of lesser quality than those traditionally associated with this sector has the effect of undermining the reputation and credibility of the luxury mark. [para. 12]

Similarly, in its Notice of Appeal to the Federal Court of Appeal, the appellant stated:

[TRANSLATION] . . . the respondents' use of the CLIQUOT mark in circumstances beyond the appellant's control [once CLICQUOT is characterized as a "unique" mark] necessarily has the effect of depreciating the value of the goodwill attaching thereto. [Emphasis added.]

58 Before the Federal Court of Appeal, the appellant argued:

[TRANSLATION] The respondents' use of the distinctive part of the trade-marks registered by the appellant, namely the CLICQUOT mark, which, moreover, has been characterized as being well known and unique, can have no effect other than to depreciate the value of the goodwill attaching to it.

59 The appellant's expert Mme Abitbol made no much sweeping assertion, and the evidence of Mr. Simard on this point was ruled inadmissible.

60 "Likelihood" is a matter of evidence not speculation. Both the appellant and its supportive intervener ask the Court to proceed as if s. 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.

61 Given the variable content and market power of “famous marks”, no such generalization is possible and Parliament did not so enact. The appellant therefore failed to establish the third element of the s. 22 test as well.

(4) The Likelihood of Depreciation

62 The appellant’s witnesses established, as stated, that VEUVE CLICQUOT is a famous mark and that significant goodwill is attached to it in the luxury goods trade.

63 The word “depreciate” is used in its ordinary dictionary meaning of “lower the value of” as well as to “disparage, belittle, underrate”: *The New Shorter Oxford English Dictionary* (5th ed. 2002), at p. 647. In other words, disparagement is a possible source of depreciation, but the value can be lowered in other ways, as by the lesser distinctiveness that results when a mark is bandied about by different users. Although the appellant makes much of the licencing provisions in the Act, the fact is that a trademark owner can depreciate its value by spreading the mark too thinly over too many products of differing quality. Madame Abitbol gave the example of Pierre Cardin which she said had moved down market through overuse of licencing and expanding the range and variety of different products carrying its name, which had led to a loss of distinctiveness, prestige and credibility.

64 The U.S. law speaks of the reduction of the capacity of a “famous” mark to identify the goods of its owner, not loss of goodwill. Nevertheless, while U.S. cases must be read with its different wording in mind, they provide some useful elucidation of relevant concepts. For example, the notions of the “blurring” of the brand image evoked

by the trade-mark, or of its positive associations, or a “whittling away” of its power to distinguish the products of the claimant and attract consumers, were noted by the U.S. 9th Circuit in 2002:

Dilution works its harm not by causing confusion in consumers’ minds regarding the source of a good or service, but by creating an association in consumers’ minds between a mark and a different good or service. [Emphasis added.]

(*Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796, at para. 16)

65 A Massachusetts court, dealing with the case of a local restaurant that called itself TIFFANY, noted the risk of erosion of the public’s identification of the mark *uniquely* with the plaintiff’s jewellery and luxury business, thus diminishing its distinctiveness, uniqueness, effectiveness and prestigious connotations: *Tiffany & Co. v. Boston Club, Inc.*, 231 F.Supp. 836 (D. Mass. 1964), at p. 844. See also *Polaroid Corp. v. Polaroid, Inc.*, 319 F.2d 830 (7th Cir. 1963), and *Exxon Corp. v. Exxene Corp.*, 696 F.2d 544 (7th Cir. 1982), at p. 550.

66 Disparagement or tarnishing of the trade-mark can arise where a defendant creates negative association for the mark (as Thurlow J. considered was the case in *Clairol International*). The pornographic film business in the United States has generated numerous examples of tarnishment, including *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, (2d Cir. 1979), at p. 203 (negative portrayal of Dallas Cowboy Cheerleaders), and *Edgar Rice Burroughs, Inc. v. Manns Theatres*, 195 U.S.P.Q. 159 (C.D. Cal. 1976) (negative portrayal of Tarzan). Similarly, see *Mattel Inc. v. Jcom Inc.*, 48 U.S.P.Q.2d 1467 (S.D. N.Y. 1998) (defendant’s website called “Barbie’s Playhouse” displayed a woman who offered to engage in a sexually explicit



video conference); *Toys 'R' Us, Inc. v. Akkaoui*, 40 U.S.P.Q.2d 1836 (N.D. Cal. 1996) (where “Adults R Us” offered a line of sexual products), and *Anheuser-Busch, Inc. v. Andy's Sportswear, Inc.*, 40 U.S.P.Q.2d 1542 (N.D. Cal. 1996) (defendant offered “Buttwiser” t-shirts).

67 These references to U.S. cases are made for the purpose of illustration. Our Act is differently worded and I do not suggest that the concept of “depreciation” in s. 22 is necessarily limited to the notions of blurring and tarnishment. Canadian courts have not yet had an opportunity to explore its limits. Nevertheless, the key question remains. Acknowledging that the VEUVE CLICQUOT trade-mark carries an aura beyond its particular products, and that the extended aura carries significant goodwill, in what way is the value of that goodwill likely to be diminished by the respondents’ “use” (if use there be) of the appellant’s registered trade-mark? Acceptance of the argument that depreciation *could* occur, is not acceptance of the assertion that on the facts of this case depreciation is *likely* to occur, still less that depreciation *did* occur. The appellant need only prove *likelihood* but there is nothing in the evidentiary record from which likelihood could be inferred.

68 The trial judge concluded that the casual consumer, on the evidence, would not associate the name of the respondents’ stores with the house of VEUVE CLICQUOT, whose mark would continue to distinguish without depreciation the famous French champagne. The goodwill would remain intact. There would be no negative perceptions to tarnish its positive aura.

69 I am mindful of the fact that the parties agreed to an order under Rule 153 of the *Federal Court Rules*, 1998, SOR/98-106, relieving them of any need to call evidence as

to “damages and accounting of profits flowing from any infringement alleged in this case”, and directing a reference on that issue if liability for infringement is established. That order applies to the s. 20 claim (“infringement”) but it does not extend to the s. 22 claim (“depreciation”). The essence of liability under s. 22 is precisely the likelihood “of depreciating the value of the goodwill attaching” to the claimant’s trade-marks. The *extent* of any actual depreciation might, of course, be left to a reference, but likelihood of depreciation is one of the elements of the cause of action, and if a plaintiff (here the appellant) fails to establish likelihood, the s. 22 claim will fail. The reference was designed to deal with the subsequent quantification of s. 20 loss or entitlement, not the necessary conditions precedent to s. 22 liability.

70 In my view, the appellant did not establish in its evidence the necessary elements to the s. 22 depreciation claim and the courts below were correct to reject it.

## V. Conclusion

71 The appeal will be dismissed with costs.

## Appendix

2. Les définitions qui suivent s'appliquent à la présente loi.

[. . .]

créant de la confusion Relativement à une marque de commerce ou un nom commercial, s'entend au sens de l'article 6.

[. . .]

6. (1) [Quand une marque ou un nom crée de la confusion] Pour l'application de la présente loi, une marque de commerce ou un nom commercial crée de la confusion avec une autre marque de commerce ou un autre nom commercial si l'emploi de la marque de commerce ou du nom commercial en premier lieu mentionnés cause de la confusion avec la marque de commerce ou le nom commercial en dernier lieu mentionnés, de la manière et dans les circonstances décrites au présent article.

(2) L'emploi d'une marque de commerce crée de la confusion avec une autre marque de commerce lorsque l'emploi des deux marques de commerce dans la même région serait susceptible de faire conclure que les marchandises liées à ces marques de commerce sont fabriquées, vendues, données à bail ou louées, ou que les services liés à ces marques sont loués ou exécutés, par la même personne, que ces marchandises ou ces services soient ou non de la même catégorie générale.

[. . .]

(5) [Éléments d'appréciation] En décidant si des marques de commerce ou des noms commerciaux créent de la confusion, le tribunal ou le registraire, selon le cas, tient compte de toutes les circonstances de l'espèce, y compris :

a) le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans

2. In this Act,

...

confusing, 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;

...

6. (1) [When mark or name confusing] For the purposes of this Act, a trade-mark or trade-name is confusing with another trade-mark or trade-name if the use of the first mentioned trade-mark or trade-name would cause confusion with the last mentioned trade-mark or trade-name in the manner and circumstances described in this section.

(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) [What to be considered] 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

laquelle ils sont devenus connus;

*b)* la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage;

*c)* le genre de marchandises, services ou entreprises;

*d)* la nature du commerce;

*e)* le degré de ressemblance entre les marques de commerce ou les noms commerciaux dans la présentation ou le son, ou dans les idées qu'ils suggèrent.

**7.** [Interdictions] Nul ne peut :

... -

*b)* appeler l'attention du public sur ses marchandises, ses services ou son entreprise de manière à causer ou à vraisemblablement causer de la confusion au Canada, lorsqu'il a commencé à y appeler ainsi l'attention, entre ses marchandises, ses services ou son entreprise et ceux d'un autre;

*c)* faire passer d'autres marchandises ou services pour ceux qui sont commandés ou demandés;

[...]

**18.** (1) [Quand l'enregistrement est invalide] L'enregistrement d'une marque de commerce est invalide dans les cas suivants :

*a)* la marque de commerce n'était pas enregistrable à la date de l'enregistrement;

*b)* la marque de commerce n'est pas distinctive à l'époque où sont entamées les procédures contestant la validité de l'enregistrement;

*c)* la marque de commerce a été abandonnée.

Sous réserve de l'article 17, l'enregistrement

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.

**7.** [Prohibitions] No person shall

...

*(b)* direct public attention to his wares, services or business in such a 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;

*(c)* pass off other wares or services as and for those ordered and requested;

...

**18.** (1) [Invalidity] 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.

est invalide si l'auteur de la demande n'était pas la personne ayant droit de l'obtenir.

(2) [Exception] Nul enregistrement d'une marque de commerce qui était employée au Canada par l'inscrivant ou son prédécesseur en titre, au point d'être devenue distinctive à la date d'enregistrement, ne peut être considéré comme invalide pour la seule raison que la preuve de ce caractère distinctif n'a pas été soumise à l'autorité ou au tribunal compétent avant l'octroi de cet enregistrement.

**19.** [Droits conférés par l'enregistrement] Sous réserve des articles 21, 32 et 67, l'enregistrement d'une marque de commerce à l'égard de marchandises ou services, sauf si son invalidité est démontrée, donne au propriétaire le droit exclusif à l'emploi de celle-ci, dans tout le Canada, en ce qui concerne ces marchandises ou services.

**20.** (1) [Violation] Le droit du propriétaire d'une marque de commerce déposée à l'emploi exclusif de cette dernière est réputé être violé par une personne non admise à l'employer selon la présente loi et qui vend, distribue ou annonce des marchandises ou services en liaison avec une marque de commerce ou un nom commercial créant de la confusion.[ . . .]

**22.** (1) [Dépréciation de l'achalandage] Nul ne peut employer une marque de commerce déposée par une autre personne d'une manière susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à cette marque de commerce.

(2) [Action à cet égard] Dans toute action concernant un emploi contraire au paragraphe (1), le tribunal peut refuser d'ordonner le recouvrement de dommages-intérêts ou de profits, et permettre au défendeur de continuer à vendre toutes marchandises revêtues de cette marque de commerce qui étaient en sa possession ou sous son contrôle lorsque avis lui a été donné que le propriétaire de la marque de commerce déposée se plaignait de cet emploi.

**53.2** [Pouvoir du tribunal d'accorder une réparation] Lorsqu'il est convaincu, sur

(2) [Exception] No registration of a trade-mark that had been so used in Canada by the registrant or his predecessor in title as to have become distinctive at the date of registration shall be held invalid merely on the ground that evidence of the distinctiveness was not submitted to the competent authority or tribunal before the grant of the registration.

**19.** [Rights conferred by registration] Subject to sections 21, 32 and 67, the registration of a trade-mark in respect of any wares or services, unless shown to be invalid, gives to the owner of the trade-mark the exclusive right to the use throughout Canada of the trade-mark in respect of those wares or services.

**20.** (1) [Infringement] The right of the owner of a registered trade-mark to its exclusive use shall be deemed to be infringed by a person not entitled to its use under this Act who sells, distributes or advertises wares or services in association with a confusing trade-mark or trade-name. . .

**22.** (1) [Depreciation of goodwill] 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.

(2) [Action in respect thereof] In any action in respect of a use of a trade-mark contrary to subsection (1), the court may decline to order the recovery of damages or profits and may permit the defendant to continue to sell wares marked with the trade-mark that were in his possession or under his control at the time notice was given to him that the owner of the registered trade-mark complained of the use of the trade-mark.

**53.2** [Expungement] Where a court is satisfied, on application of any interested person, that any act has been done contrary to

demande de toute personne intéressée, qu'un acte a été accompli contrairement à la présente loi, le tribunal peut rendre les ordonnances qu'il juge indiquées, notamment pour réparation par voie d'injonction ou par recouvrement de dommages-intérêts ou de profits, pour l'imposition de dommages punitifs, ou encore pour la disposition par destruction, exportation ou autrement des marchandises, colis, étiquettes et matériel publicitaire contrevenant à la présente loi et de toutes matrices employées à leur égard.

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 the 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.

*Appeal dismissed with costs.*

*Solicitors for the appellant: Léger Robic Richard, Montréal.*

*Solicitors for the respondents: Miller Thomson Pouliot, Montréal.*

*Solicitors for the intervener: Gowling Lafleur Henderson, Toronto.*