

**FEDERAL COURT OF APPEAL**

(ON APPEAL FROM THE FEDERAL COURT OF CANADA)

**BETWEEN:**

**JEREMY COOPERSTOCK**

**Appellant**

**and**

**UNITED AIRLINES, INC.**

**Respondent**

**and**

**SAMUELSON-GLUSHKO CANADIAN INTERNET POLICY & PUBLIC  
INTEREST CLINIC (CIPPIC) and CANADIAN CIVIL LIBERTIES  
ASSOCIATION (CCLA)**

**Interveners**

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**MEMORANDUM OF FACT AND LAW**

**OF SAMUELSON-GLUSHKO CANADIAN INTERNET POLICY AND  
PUBLIC INTEREST CLINIC**

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## INTRODUCTION

1. The *Trade-marks Act* is constitutionally grounded in the regulation of specific, trade-related communications with the object of achieving a fair and efficient marketplace. It is marketplace framework legislation with the object of promoting consumer protection and fair trade practices and remedying unfair competition. These trade-related objects establish the scope – and limits – of the *Act*. The *Trade-marks Act* regulates expressive activity, and so, enforced beyond the bounds of these trade-related objects, may serve as a tool for oppression that chills constitutionally protected expression.
2. The Supreme Court of Canada’s approach to intellectual property statutes is to balance their competing public policy objectives by recognizing owner’s rights in a manner that gives due weight to their limited nature. This approach may be achieved in interpretation of the *Trade-marks Act* through interpretations of key concepts and definitions in a manner consistent with the limitations of the *Act*’s objectives and consistently with constitutional values.

### I. FACTS

3. CIPPIC accepts the facts in the Appellant’s Memorandum of Fact and Law.

### II. ISSUES

4. CIPPIC accepts the issues as described in the Appellant’s Memorandum of Fact and Law.

### III. SUBMISSIONS

#### A. Interpreting the Trade-marks Act

5. The modern principle of statutory interpretation was set out by the Supreme Court of Canada in *Rizzo & Rizzo Shoes Ltd. (Re)*. Justice Iacobucci endorsed Driedger’s “modern principle” of statutory interpretation:

Today there is only one principle or approach, namely, the words of an Act are to be read in their entire context and in their grammatical and ordinary

sense harmoniously with the scheme of the Act, the object of the Act, and the intention of Parliament.<sup>1</sup>

6. The Supreme Court of Canada's interpretative approach to intellectual property statutes has followed this rule, but observed that these statutes have multiple objectives. Statutory interpretation finds the balance struck by Parliament among competing objectives: "The proper balance among these and other public policy objectives lies not only in recognizing the creator's rights but in giving due weight to their limited nature."<sup>2</sup>

### **1. Purpose of Trade-mark Law**

7. In *Mattel*, the Supreme Court of Canada considered the objectives of the *Trade-marks Act*:

Its claim to monopoly rests not on conferring a benefit on the public in the sense of patents or copyrights but on serving an important public interest in assuring consumers that they are buying from the source from whom they think they are buying and receiving the quality which they associate with that particular trade-mark. Trade-marks thus operate as a kind of shortcut to get consumers to where they want to go, and in that way perform a key function in a market economy. Trade-mark law rests on principles of fair dealing. It is sometimes said to hold the balance between free competition and fair competition.<sup>3</sup>

8. The Court went on to consider competing objectives of the legislation:

Fairness, of course, requires consideration of the interest of the public and other merchants and the benefits of open competition as well as the interest of the trade-mark owner in protecting its investment in the mark. Care must be taken not to create a zone of exclusivity and protection that overshoots the purpose of trade-mark law.<sup>4</sup>

#### **a) Trade**

9. The *Trade-marks Act* is an exercise of federal power in relation to the "Regulation of Trade and Commerce" under the *Constitution Act, 1867*, s. 91(2). Courts employ a "pith and substance" analysis to constrain legislation stemming from 91(2)

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<sup>1</sup> *Rizzo & Rizzo Shoes Ltd. (Re)*, [1998] 1 S.C.R. 27, at para. 21, quoting the following passage from Elmer Driedger, *Construction of Statutes*, 2nd ed. (Toronto: Butterworths, 1983), at p. 87.

<sup>2</sup> *Théberge v. Galerie d'Art du Petit Champlain inc.*, 2002 SCC 34, [2002] 2 S.C.R. 336 at para. 31 [*Théberge*].

<sup>3</sup> *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] 1 S.C.R. 772, 2006 SCC 22

<sup>4</sup> *Mattel* at para 22, citing David. Vaver, "Unconventional and Well-known Trade Marks", [2005] *Sing. J.L.S.* 1, at p. 16)

from intruding on the delegation in s. 93(13). Section 93(13) delegates to the provinces jurisdiction over “Property and Civil Rights”: such legislation must be nationally focused, and exist in either a functional relationship or be truly necessary to the overall legislative scheme to be *intra vires*.<sup>5</sup>

10. The *Trade-marks Act* is thus constitutionally grounded in the regulation of specific, trade-related communications. Its object is to achieve a fair and efficient functioning marketplace.
11. The *Trade-marks Act* does not seek to create or bequeath property. The *Act* grants legal protections to certain *choses in action*; however, the object of the *Act* is not create or protect property as an end in itself. Rather, the *Act* is marketplace framework legislation. The object of trade-mark law is trade: consumer protection, promoting fair trade practices, and remedying unfair competition. It is to this interpretive touchstone that we will return time and time again in construing the scope – and limits – of the *Act*.

#### **b) Balance**

12. Balance is a fundamental feature of Canadian intellectual property law. In *Théberge v. Galerie d’Art du Petit Champlain inc.*, the Supreme Court stated that in copyright law Parliament seeks to achieve a “balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator.”<sup>6</sup>
13. The Supreme Court has approached patent law similarly, finding that the “patent system is based on a ‘bargain’ . . . the inventor is granted exclusive rights in a new and useful invention for a limited period in exchange for disclosure of the invention so that society can benefit from this knowledge.”<sup>7</sup>
14. Unlike the *Copyright Act*,<sup>8</sup> the *Trade-marks Act* contains few explicit exceptions or user rights. This textual imbalance invites overreach: while the statute provides ample textual evidence of its objective to protect trade-mark

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<sup>5</sup> *Macdonald v Vapor Canada Ltd.*, [1997] 2 SCR 134, 66 DLR (3d) 1.

<sup>6</sup> *Théberge v. Galerie d’Art du Petit Champlain inc.*, 2002 SCC 34, [2002] 2 S.C.R. 336 at para. 30.

<sup>7</sup> *Teva Canada Ltd. v. Pfizer Canada Inc.*, 2012 SCC 60, [2012] 3 S.C.R. 625 at 32.

<sup>8</sup> R.S.C. 1985, c. C-42, as amended.

holders against unfair competition, the lack of explicit acknowledgement of users offers courts few cues to constrain oppressive use of trade-mark rights.

15. The *Trade-marks Act* is instead built upon principles that are intrinsically limited. Trade-mark owners' rights are limited in scope and reach by concepts that are grounded in trade. Trade-mark use outside of the limits of these legal concepts require no explicit exceptions, since they were never subject to the statute's prohibitions in the first place.

## 2. Limits of Trade-mark Law

16. The principles of trade that ground the *Act* suggest those that limit its scope: it is consumer protection legislation; it regulates expression in pursuit of trade but not beyond; and it protects healthy competition in the marketplace. Where an assertion of trade-mark rights strays beyond these limits, the *Act* ought to be interpreted in a balanced manner that respects those limits.
17. The fulcrum to this balance is the trade-mark's function as an indicator of source. As Justice Binnie stated in *Mattel*, establishing a fair balance:

requires consideration of the interest of the public and other merchants and the benefits of open competition as well as the interest of the trade-mark owner in protecting its investment in the mark. Care must be taken not to create a zone of exclusivity and protection that overshoots the purpose of trade-mark law.<sup>9</sup>

### a) Consumer Protection

18. Trade-marks function to distinguish the wares or services manufactured, sold, leased, hired or performed by the trade-mark owner from those manufactured, sold, leased, hired or performed by others. Trade-marks serve "to create a link in the prospective buyer's mind between the product and the producer". In *Mattel*, Justice Binnie characterized this function as follows:

It is a guarantee of origin and inferentially, an assurance to the consumer that the quality will be what he or she has come to associate with a particular trade-mark (as in the case of the mythical "Maytag" repairman). It is, in that sense, consumer protection legislation.<sup>10</sup>

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<sup>9</sup> *Mattel* at para. 22.

<sup>10</sup> *Mattel* at para 2.



19. Trade-mark law aims to protect consumers from deceptive trade practices likely to impair the marketplace. This trade-related purpose of trade-marks sets out a very specific monopoly over the use of marks to distinguish products and services. The law’s protection should extend only so far as it protects this consumer “shortcut.”

***b) Charter Values: Freedom of Expression***

20. The Charter’s guarantee of freedom of expression is exceptionally broad:

“Expression” has both a content and a form, and the two can be inextricably connected. Activity is expressive if it attempts to convey meaning. That meaning is its content. Freedom of expression was entrenched in our Constitution and is guaranteed in the Quebec Charter so as to ensure that everyone can manifest their thoughts, opinions, beliefs, indeed all expressions of the heart and mind, however unpopular, distasteful or contrary to the mainstream. Such protection is, in the words of both the Canadian and Quebec Charters, “fundamental” because in a free, pluralistic and democratic society we prize a diversity of ideas and opinions for their inherent value both to the community and to the individual.<sup>11</sup>

21. The Court in *Irwin Toy*, summarized the reasons for the protection of freedom of expression in a free and democratic society as follows:

(1) seeking and attaining the truth is an inherently good activity; (2) participation in social and political decision-making is to be fostered and encouraged; and (3) the diversity in forms of individual self-fulfillment and human flourishing ought to be cultivated in an essentially tolerant, indeed welcoming, environment not only for the sake of those who convey a meaning, but also for the sake of those to whom it is conveyed.<sup>12</sup>

22. One may use another’s trade-marks as a means of expressing oneself for a range of purposes, some of which would reside in the core of these reasons for the constitutional protection of expression.<sup>13</sup> The Supreme Court of Canada has not ruled directly on such use of another’s trade-mark. However,

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<sup>11</sup> *Irwin Toy Ltd. v. Quebec (Attorney General)*, [1989] S.C.J. No. 36, [1989] 1 S.C.R. 927 at 968 (S.C.C.) [*Irwin Toy*].

<sup>12</sup> *Irwin Toy* at 976.

<sup>13</sup> Florian Martin-Bariteau, *Le droit de marque* (Montreal: LexisNexis Canada Inc., 2017) at 191, para. 346 [Martin-Bariteau]; see generally Teresa Scassa, *Canadian Trademark Law*, 2<sup>nd</sup> ed. (Toronto: LexisNexis, 2010) Chapter 11 [Scassa, *Canadian Trademark Law*].

in *R. v. Guignard*, the Court ruled that consumer counter-advertising is a protected form of expression:

Consumers may express their frustration or disappointment with a product or service. Their freedom of expression in this respect is not limited to private communications intended solely for the vendor or supplier of the service. Consumers may share their concerns, worries or even anger with other consumers and try to warn them against the practices of a business. Given the tremendous importance of economic activity in our society, a consumer's "counter-advertising" assists in circulating information and protecting the interests of society just as much as does advertising or certain forms of political expression. This type of communication may be of considerable social importance, even beyond the merely commercial sphere.<sup>14</sup>

23. The Court thus recognizes both the constitutional value of consumer counter-advertising and the limitations consumers face in communicating their counter message. Inevitably, consumer resources are vastly out-weighted by corporate resources. The Court stated: "simple means of expression such as posting signs or distributing pamphlets or leaflets or, these days, posting messages on the Internet are the optimum means of communication for discontented consumers".<sup>15</sup>

24. Professor Teresa Scassa concludes from this as follows:

Clearly, then, the vehicle for counter-advertising is important to the expression of the message; access to these vehicles ensures a viable means of communication. Although the court did not discuss the use of trademarks in counter-advertising, trademarks themselves are vehicles for this form of expression, particularly where the recognition of the parodied mark facilitates the communication of the message in the context of a significant disparity in power.<sup>16</sup>

25. Parody and satire reside deep with the overlapping cores of section 2(b).

Parody is creative activity, and at its greatest heights ranks among the most highly regarded creative works of humanity, and so finds a home in the *Charter's* valuation of expression for its own sake. Parody is also critical in

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<sup>14</sup> *R. v. Guignard*, [2002] S.C.J. No. 16, [2002] 1 S.C.R. 472, 2002 SCC 14.at para 23.

<sup>15</sup> *Ibid.* at para 25; Scassa, *Canadian Trademark Law* at 539-541.

<sup>16</sup> Teresa Scassa, "Trademarks Worth a Thousand Words: Freedom of Expression and the Use of the Trademarks of Others" (2012) 53(4) *Les Cahiers de droit* 887.

nature, and so enjoys the *Charter's* embrace of expression as a means for both the search for truth and as an instrument of democratic dialogue.

26. It is presumed that legislators intend to comply with Canada's constitutional limits and norms, including *Charter* values.<sup>17</sup> This presumption of compliance stems from two accepted notions: first, that constitutional values play a central role in the contexts in which laws are made and applied, and second, *Charter* values themselves are of the utmost importance to the legal and political culture in Canada.<sup>18</sup> Presumed statutory compliance with the *Charter* is an interpretative tool to ensure the development of Canadian law is consistent with our fundamental constitutional values, even in cases where no direct *Charter* challenge is made. In instances of statutory ambiguity presumed compliance guides courts to choose an interpretation of a statute that aligns with the values exemplified in the *Charter* over one that does not.

*c) Freedom of Competition*

27. Trade-marks law is meant to promote fair competition, not restrain it. Where an assertion of trade-mark rights has the potential to limit competition, Canadian courts have construed the *Trade-marks Act* in a manner that respects competition. For example, in *Clairol*, the Justice Thurlow ruled that comparative advertising, although potentially caught by the widest interpretations of the *Act*, was not caught by the prohibitions of the *Act* as such use was “not a use for the purpose of distinguishing the goods as goods of the defendants”; that is, it was not use as a trade-mark.<sup>19</sup>

**3. Pressures of Brand Marketing on Trade-mark Law**

28. Since the passage of a revised Canadian *Trade-marks Act* in 1953, marks have moved from purely indicators of source and guarantors of quality to purveyors of emotive values. Marks as tools of branding embed themselves within culture and invites consumer interaction.

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<sup>17</sup> Ruth Sullivan, *Sullivan on the Construction of Statutes* (Markham, Ont: LexisNexis Canada, 2014) at 526. [*Sullivan on the Construction of Statutes*]

<sup>18</sup>Ibid at 527.

<sup>19</sup> *Clairol* at p. 567.

29. Professor Teresa Scassa argues that this move from indicators of source and quality to billboard of brand values demands

an increase in the expressive space open to those who seek to criticize the trademark source, its wares or its services, who challenge or critique the brand message, or who engage with the cultural embeddedness of certain marks.<sup>20</sup>

30. Enterprises that broadcast brand values at odds with their practices invite critique and contestation. Brand owners should enjoy no monopoly over the values citizens associate with their activities.

## **B. Application**

31. The application of these principles – that trade-marks law is bounded both internally by fundamental concepts that limit the scope of its reach and externally by fundamental values that act as barriers to trade-marks law exceeding this reach – can only occur through the exercise of statutory interpretation.

### **1. Modern Approach to Statutory Interpretation**

32. The Supreme Court of Canada applies Driedger’s “modern principle” of statutory interpretation to “the words of an *Act* are to be read in their entire context and in their grammatical and ordinary sense harmoniously with the scheme of the *Act*, the object of the *Act*, and the intention of Parliament.”<sup>21</sup> Extrinsic indicators of Parliamentary intent may be useful to resolve ambiguities. Such indicators may include legislative history of the *Act* and the principle that Parliament intends consistency with the *Charter*.

### **2. A Balanced Interpretation of the Trade-marks Act**

33. The *Trade-marks Act* grants limited rights that accommodate competing policy objectives. We apply this interpretive approach to the three *Trade-marks Act* causes of action raised in this appeal. Each cause of action,

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<sup>20</sup> Scassa “Worth a Thousand Words” at 907.

<sup>21</sup> *Rizzo & Rizzo Shoes Ltd. (Re)*, [1998] 1 S.C.R. 27.at para. 21, quoting the following passage from Elmer Driedger, *Construction of Statutes*, 2nd ed. (Toronto: Butterworths, 1983), at p. 87.

properly construed, balances trade-mark owners' legitimate interests with those of competitors, consumers, and the wider Canadian public.

34. This balancing is to be found in key statutory concepts such as "services", "use", and "depreciation". These concepts set the boundaries for the application of the *Trade-marks Act*; it follows that interpretation of these terms must necessarily be informed by an approach that balances the different dimensions of the public interest protected by the statute.

**a) Confusion: s. 20**

35. The test for infringement under section 20 of the *Act* requires plaintiffs to establish a likelihood of confusion. Several elements of the cause of action have been interpreted to respect the limits of trade-mark law. These include the requirement that the defendant have used the mark "as a trade-mark", that the complained of activity constitute use in association with wares or services as defined in the *Act*, and that the plaintiff establish by evidence a likelihood of confusion.

**(1) "Use as a Trade-mark"**

36. In *Clairol International Corp. v. Thomas Supply & Equipment Co.*, Justice Thurlow interpreted of trade-mark infringement under section 19 to require that the trade-mark be used "as a trade-mark" – as an indicator of source - in order to constitute infringement.<sup>22</sup>

37. This requirement is essential to keep the cause of action anchored to its constitutional grounding in trade. It also prevents use of infringement actions to attack critical or informational uses of the mark that may reside close to the core of *Charter* protections.

**(2) "Services"**

38. The term "services" is undefined in the *Trade-marks Act*. Judicial interpretation of the term, relying on American jurisprudence, has adopted an exceedingly broad interpretation of the term as any activity that provides a

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<sup>22</sup> [1968] 2 Ex. C.R. 552 at 569, 55 C.P.R. 176 at para. 36.

benefit to the public.<sup>23</sup> The leading case on this issue, *Kraft Ltd. v. Canada (Registrar of Trade Marks)*, arose in the context of an appeal from a decision of the Registrar to deny registration to a mark. The Court “[could] see no reason why the Registrar should impose a restrictive interpretation on the word ‘services’”<sup>24</sup> and, given the immense range of services that trade-mark owners may engage, concluded that the term must be liberally interpreted.<sup>25</sup>

39. We invite this Court to revisit this interpretation. First, this expansive interpretation is not in harmony with the overall scheme of the *Act*. The *Act* regulates fair trading activity. “Services” ought to be interpreted in a manner consistent with this objective. While it is true that the market offers consumers an almost infinite range of services, the common denominator is that these all occur within the context of the marketplace. Expanding the *Act* to reach any activity that attempts to convey a benefit to the public swallows within it the entire range of communicative activity. Any attempt to convey meaning could be said to “benefit the public” by conveying information, opinion, or enjoyment. Untethered from the touchstone of trade, this definition of “services” strays impermissibly into the field of free speech.
40. This expansive approach to “services” goes beyond that envisioned at the time of the enactment of the *Act*. Prior to the 1953 Act, service marks were not registerable in Canada. In “The New Canadian *Trade Marks Act*”, Gordon Gowling wrote that:

The new Canadian Trade Marks Act contains at least one advance that can be traced directly to the United States Trade Marks Act of 1946. We are following that statute by extending the area of trade mark protection to include marks used to identify services as well as wares. This is a matter of considerable importance because many lines of commercial activity are concerned with the performance of services and not with the manufacture and sale of wares. Recall, for example, such businesses as transportation, insurance, loan companies, laundries and repair shops. It is common practice to employ some

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<sup>23</sup> *Kraft Ltd v Canada (Registrar of Trade Marks)*, [1984] 2 FC 874, 1 CPR (3d) 457 at para 8 [*Kraft*], citing *American International Reinsurance Co, Inc v Airco, Inc*, 571 F2d 941, 197 USPQ 69 (1978) at p 71; *TSA Stores, Inc v Registrar of Trade-Marks*, 2011 FC 273 at para 16, 91 CPR (4th) 324.

<sup>24</sup> *Kraft* at para 11.

<sup>25</sup> *Kraft* at para 11.

distinctive symbol in association with a business of this kind, but heretofore it has been impossible to protect it by registration.<sup>26</sup>

41. This vision of protection is again consistent with a view of trade-marks law that is grounded in trading activity.
42. A test for services to which the *Act* applies would ask about the nature of those services rather than analogizing to commercial actors. In the case under appeal, the Court compared the defendant's activities to the plaintiff's. Both sought to provide guidance and helpful information to consumers. This is not a helpful inquiry, since that is a description consistent with an immense range of "attempts to convey meaning". A more fruitful analysis would have been into the nature of the defendant's activities: are they a trade? Is there a competitive marketplace for those services? Can the defendant be said to compete for a share of the market? Will consumers require protection against unfair competition for that market-share?

### (3) "Confusion"

43. The test for confusion is also guided by the interpretive principles of consumer protection, fair competition and freedom of expression.
44. The *Act* guides courts to consider "all the surrounding circumstances" in assessing a likelihood of confusion. Within the "all the surrounding circumstances" test, s. 6(5) of the *Act* lists five factors to be considered when making a determination as to whether or not a trade-mark is confusing. The list of circumstances is not exhaustive and different circumstances will be given different weight in a context-specific assessment.<sup>27</sup>
45. This flexibility promotes a balanced interpretation of the *Act*. It permits the Court to inquire into the expressive nature of an activity. Consumer confusion is, at heart, a consumer protection issue. Only were its likelihood exists may a trade-mark owner assert its rights.
46. With respect to the perspective from which the likelihood of a "mistaken inference" is to be measured, Justice Binnie wrote:

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<sup>26</sup> Gordon Gowling, "The New Canadian Trade Marks Act" [1953] Vol. XXXI Canadian Bar Association 664 at 674.

<sup>27</sup> *Mattel* at para. 54.

It is not that of the careful and diligent purchaser. Nor, on the other hand, is it the “moron in a hurry” [ . . . ] It is rather a mythical consumer who stands somewhere in between, . . . the “ordinary hurried purchasers”:

When assessing the issue of confusion, the trade marks at issue must be considered from the point of view of the average hurried consumer having an imperfect recollection of the opponent’s mark who might encounter the trade mark of the applicant in association with the applicant’s wares in the market-place.

As Cattanach J. explained [ . . . ]:

That does not mean a rash, careless or unobservant purchaser on the one hand, nor on the other does it mean a person of higher education, one possessed of expert qualifications. It is the probability of the average person endowed with average intelligence acting with ordinary caution being deceived that is the criterion and to measure that probability of confusion the Registrar of Trade Marks or the Judge must assess the normal attitudes and reactions of such persons.

Having repeated that, I fully agree with Linden J.A. in *Pink Panther* that in assessing the likelihood of confusion in the marketplace “we owe the average consumer a certain amount of credit”.<sup>28</sup>

47. This treatment suggests again a common sense approach to the interpretation of the Act. Real evidence of a likelihood of consumer confusion is required to sustain an action, and this confusion must be that of the ordinary consumer, not the hurried fool.

**b) Depreciation of Goodwill: s. 22**

48. Sub-section 22(1) of the *Trade-marks Act* reads as follows:

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.

49. The Supreme Court of Canada considered the scope and reach of the prohibition against depreciation of goodwill attaching to a trade-mark in *Veuve Clicquot*. There, the Court identified 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.

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<sup>28</sup> *Mattel* at paras 56-57.



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).<sup>29</sup>

50. Justice Binnie observed that “[t]he 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.”<sup>30</sup>

51. The statute's trade-oriented concepts provide this check.

**(1) “Use”**

52. The *Trade-marks Act* regulates the use of marks in association with both “wares” and “services”, and defines “use” in section 4 of *Trade-marks Act* as:

4 (1) A trade-mark is deemed to be used in association with goods if, at the time of the transfer of the property in or possession of the goods, in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods 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.

53. It is the manner of use of the mark that must be examined, not other expressive conduct of a defendant that a claimant may find objectionable. The term “use” must be in association with a commercial aspect. In *British Columbia Automobile Assn. v. Office and Professional Employees' International Union*, the Court stated:

I think that the statute requires that the offending use be a use in association with wares and services and that contemplates an element of commercial use as identified in *Clairol* and *Michelin*. I do not think that those decisions are incorrectly decided. The apparent non-commercial status of the Union's website leads me to conclude that that the trade-marks are not used in association with wares or services and takes the defendant's use of the

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<sup>29</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, [2006] 1 S.C.R. 824, 2006 SCC 23 [*Veuve Clicquot*].

<sup>30</sup> *Veuve Clicquot* at para. 45.

plaintiff's trade-marks outside the scope of s. 22 of the Act. I think that the Union's argument, that the interpretation that the plaintiff seeks would place an unwarranted restriction on free speech, has merit.<sup>31</sup>

54. Mr. Justice Thurlow in the case of *Clairol International Corp. v. Thomas Supply and Equipment Co. Ltd.* (1968), 38 Fox Pat. C. 176 at 36 defined the word "use" in the context of section 22, as follows:

In its ordinary sense the language of section 22(1) is I think, broad enough to embrace uses likely to have the result of depreciating goodwill which are far removed from the type of case I have mentioned. Indeed in its ordinary sense the language seems broad enough to include a conversation in which a person adversely criticizes goods which he identifies by reference to their trade-mark. I regard it as highly unlikely, however, that so broad a prohibition could have been intended. In the course of his argument, Mr. Henderson treated the meaning of "use" as referring to use only in competitive trading, but while I think that use in the course of trading is a limitation which is obviously present, the statute being one relating to trade-marks and unfair competition, this too would leave very wide scope for the prohibition. There are many common instances of the use of trade-marks in the course of trading which I do not think the section could have been intended to prohibit. A trade-mark is "used" for example, in this sense in the course of trade when a shopkeeper exhibits a poster on his counter or in his shop with a comparative price list indicating by reference to their trade-marks the goods of several traders who may be competitors of one another. It is also used in this sense in the course of trade when a sales clerk makes reference to it in the course of discussing the merits of the owner's goods with a customer, whether in comparison with the goods of other traders or not. Such uses could, depending on what was being said, tend to adversely affect the goodwill attaching to a trade-mark but I do not think the statute is intended to forbid legitimate comparisons or criticisms of that kind. Rather I think the verb "use" in section 22 is to be interpreted by reference to the definition of the noun "use" in section 2(v) the effect of which is to confine the application, and therefore the prohibition, of section 22 to a use which any person may make, in association with goods or services within the meaning of sections (sic) of section 4 of another's registered trade-mark in such a manner as to depreciate the value of the goodwill attaching thereto.<sup>32</sup>

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<sup>31</sup> *British Columbia Automobile Assn. v. Office and Professional Employees' International Union, Local 378*, [2001] B.C.J. No. 151 at para. 153 [BCAA].

<sup>32</sup> *Clairol International Corp. v. Thomas Supply and Equipment Co. Ltd.* (1968), 38 Fox Pat. C. 176 at para 36.

55. Use by a trade union of a parody of a design trade-mark on literature and signs used during a strike has been held not to depreciate the goodwill in that trade-mark, since the use was not “as a trade-mark”.<sup>33</sup>

56. In *Michelin* and *BCAA*, the courts found use by the defendants of the plaintiffs’ trade-marks for non-commercial provision of information did not constitute depreciation of the goodwill of the registered mark even though the purposes of the use included discouraging members of the public from doing business with the plaintiffs. The defendants were entitled to express its position and speak freely provided it did not violate section 22 of the *Act*.<sup>34</sup>

## (2) Goodwill attaching to a *trade-mark*

57. Section 22 protects goodwill attaching to a registered trade-mark. Section 22 does not offer a general protection for goodwill attaching to a business.

58. In *Veuve Clicquot*, the Supreme Court cited with approval<sup>35</sup> Justice Thurlow’s definition of goodwill attaching to a trade-mark in *Clairol*:

[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.<sup>36</sup>

59. This limitation requires careful analysis in claims asserting depreciation. Truthful commentary critical of a trade-mark owner’s practices or conduct may display the mark in a manner that constitutes use of the mark, and may in fact greatly diminish the goodwill enjoyed by the mark’s corporate owner. However, any such depreciation of goodwill enjoyed by the owner will derive from the fair comment, not from the use of the trade-mark, and will impact the goodwill of the business, not of the trade-mark. Section 22 does not protect the goodwill of a business at large, but only that attaching to a trade mark of a business. Section 22 is no guarantee of the reputation of a

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<sup>33</sup> *Cie générale des établissements Michelin - Michelin & Cie v. CAW - Canada*, [1996] F.C.J. No. 1685, 71 C.P.R. (3d) 348 (F.C.T.D.) [*Michelin*].

<sup>34</sup> See also Martin-Bariteau at 285 para. 556.

<sup>35</sup> *Veuve Clicquot* at para. 52.

<sup>36</sup> *Clairol International Corp. v. Thomas Supply & Equipment Co.*, [1968] 2 Ex. C.R. 552 at p. 573.

business. It cannot function as a shield against criticism or mockery. It is not a statutory action for libel. It is a limited remedy for specific activities involving another's use of a claimant's trade-mark in a manner that erodes the repute and connection identified with wares or services distributed in association with that mark. Inquiries into depreciation of goodwill claims must not focus on whether a claimant's reputation has been harmed by the defendant's activities or communicative meaning; rather, they must focus on whether the defendant's use of the mark is likely to depreciate the mark's attractive force.

### (3) Depreciation

60. The *Act* provides no definition of “depreciation”. The Supreme Court stated that “[t]he word ‘depreciate’ is used in its ordinary dictionary meaning of ‘lower the value of’ as well as to ‘disparage, belittle, underrate’.”<sup>37</sup> On its face, depreciation is sufficiently amorphous to swallow any conduct with a negative effect on a trade-mark's goodwill. Accordingly, we must look to the limitations inherent in the core concepts of the *Act* to prevent section 22 from devolving into the “super weapon” the Supreme Court warned against.<sup>38</sup>
61. The creation of a mere “mental association” between a registered trade-mark's owner and a defendant's use is necessary to establish a claim for depreciation, but without more is insufficient to constitute depreciation.<sup>39</sup>
62. In *Veuve Clicquot*, the Supreme Court identified two forms of harm to a trade-mark's goodwill that fall within s. 22's meaning of “depreciation”: (1) “blurring”, or “whittling away”<sup>40</sup> - the loss of distinctiveness that results when a mark is “bandied about by different users”<sup>41</sup> - and (2) “tarnishing” or

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<sup>37</sup> *Veuve Clicquot* at para. 63 citing *New Shorter Oxford English Dictionary* (5th ed. 2002), at p. 647.

<sup>38</sup> *Veuve Clicquot* at para. 45.

<sup>39</sup> *Veuve Clicquot* at para. 43 (citing the U.S. Supreme Court in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003) at 433-34 in respect of the dilution remedy of the *Lanham Trade-Mark Act*, 15 U.S.C.A. §§ 1051 *et seq.*

<sup>40</sup> *Veuve Clicquot* at para. 64.

<sup>41</sup> *Veuve Clicquot* at para. 63.

“disparagement” – where a defendant creates “negative association for the mark”.<sup>42</sup> A connection to trade is the common denominator to both forms.

63. The origin of the modern *Trade-marks Act* lies in the *1953 Report of the Trade Marks Revision Committee*, struck to and chaired by Harold G. Fox. The Committee envisioned section 22 as an instrument of fair trade and directed towards unfair competition. The Committee wrote of “use of a trade-mark in such a manner as is likely to have the effect of depreciating the value of the goodwill attaching thereto” as an expression that:

... has appealed very strongly to us. We have been impressed by the fact that infringement actions have sometimes been decided on wholly artificial rules [ . . . ] A trade mark statute should be designed to protect fair trading and, in our view, anything that depreciates the value of the goodwill attaching to a trade mark should be prohibited. . . . If, therefore, a well known trade mark is used by other than the trade mark owner in such a manner as would not previously constituted grounds for an action either of infringement or passing off, but which has the effect of bringing the trade mark into contempt or disrepute in the public mind, the trade mark owner will be in a position to seek a remedy.

[ . . . ] In a proper case this ambit of protection can be widened to include the whole of the course of trade or restricted to a field limited by the use acquired by it. [ . . . ] With this discretion available, particularly to the Courts in litigious proceedings, it is our opinion that unfair competition will be minimized and that the honest and healthy use of trade marks will be encouraged.<sup>43</sup>

64. Commentators at the time shared the view that s. 22 constrained unfair trade practices. In “The New Canadian Trade Marks Act”, Gordon Gowling wrote:

Their apparent flaw [in s. 22] lies in lack of precision. Clearly the section is intended to reach beyond mere infringement, which is provided for elsewhere. That being so, what use of a registered trade mark is likely to have the effect of depreciating the value of the goodwill attaching to it? I do not think that any definite answer can be offered. Nevertheless, there is good reason for including a section of this kind and good reason for leaving it exactly as it stands. There is a large area within which a trade mark may be used to the detriment of the trade mark owner, but it may be difficult or impossible to prove infringement. I am thinking of those cases in which a famous trade

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<sup>42</sup> *Veuve Clicquot* at para. 66.

<sup>43</sup> Report of the Trade Mark Law Revision Committee to the Secretary of State of Canada, (26 January, 1953), reprinted in Harold G. Fox, *The Canadian Law of Trade Marks and Unfair Competition*, 2<sup>nd</sup> ed., Vol II (Toronto: Carswell, 1956)) at 1166-67 [emphasis added].

mark is used by a newcomer on substantially different wares that are so disagreeable or shoddy that the trade mark itself loses attractiveness in the public mind. Or, again, consider situation in which improper use of a trade mark is made by one who uses a small portion of the trade marked article in a complex finished product for which the owner of the trade mark cannot possibly assume responsibility. This type of problem has given trouble in the past and section 22 is designed to confer a wide discretion on the courts and a power to restrain conduct which will damage directly or indirectly the investment that has been made by the owner of a trade mark. It may very well present a challenge to the ingenuity and wisdom of our judges, but if it is properly invoked it can have the most salutary consequences.<sup>44</sup>

65. This practitioner's contemporaneous perspective viewed section 22 as addressing on trade-related dealings of a defendant. Both examples raised Mr. Gowling fit well within the two classes of depreciation identified by the Court in *Veuve Clicquot* (namely, tarnishing in the case of shoddy goods and blurring in the case of the complex article). Similarly, the examples of the potential application of section 22 offered by the 1953 Report of the Trade Marks Revision Committee focus on trade. None of the contemporaneous justifications for the creation of section 22 point to unfair or inaccurate criticism or commentary. None of these justifications claim trade libel or defamation laws are insufficient to protect trade mark owners against the communication of critical information.
66. The ambiguity of section 22 was acknowledged by Justice Thurlow in *Clairol*, where he observed that trade-mark law was not designed to protect commercial marks from all forms of detrimental use: many non-commercial uses of a trademark, such as its use in social discourse, criticism, and review, might possibly lower the public's impression of a particular brand without necessarily usurping its source identifying function.<sup>45</sup> Justice Thurlow noted that section 22 was facially broad enough to improperly capture (a) a conversation between two people that criticizes goods or services by

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<sup>44</sup> Gordon Gowling, "The New Canadian Trade Marks Act" [1953] Vol. XXXI Canadian Bar Association 664 at 674.

<sup>45</sup> *Clairol C.P.R.* at 195-6.

reference to trade-marks, and (b) a situation in which a shopkeeper displays a list of prices indicating that certain goods (identified by their trademark) were more expensive than other similar products; legitimate comparisons or criticisms were not intended to fall within the scope of section 22.<sup>46</sup>

67. Too broad an approach to “depreciation”, so as to capture even that resulting from criticism, would “weaponize” section 22 in a manner that would have consequences for freedom of expression. The *Charter* is accordingly useful as an interpretive aid to section 22. A defendant’s use of a trade-mark in connection with activities that lie close to the core of section 2(b) ought not to be considered uses that depreciate the goodwill associated with the mark. Purely communicative uses that do not engage in trade ought not to be captured by section 22 at all. This is particularly so where the use is non-commercial in nature, but necessarily engages in some financial dealings in order to produce the speech. Communicative activity carried out with a view to profit ought to be subject to the *Trade-marks Act*; that same activity carried out with a view to recovering or off-setting the costs of speech ought not. To hold otherwise would be to unfairly burden non-commercial actors with the costs of their communicative activities.<sup>47</sup>

68. An overly expansive interpretation of section 22 would also violate the principle of balance. Section 22 could easily chill on ordinary discourse and communication in civil society and upset trade-mark law’s balance between the protection of private rights and the promotion of the public interest, including the preservation of fundamental civil liberties.<sup>48</sup>

*c) Passing Off: s. 7(b) & (c)*

69. Section 7 of the *Act* codifies a range of passing off torts. These torts have been considered in previous actions and found to be limited by the scope of

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<sup>46</sup> *Clairol C.P.R.* at 195-6.

<sup>47</sup> See Scassa, Canadian Trademark Law, at

<sup>48</sup> Eugene C. Lim, “Dilution, the Section 22 Debacle, and the Protection of Business Goodwill in Canada: Some Insights from U.S. Trademark Law and Policy” (2011) 101(4) *The Trademark Reporter* 1263.

freedom of expression.<sup>49</sup> Concepts of trade and consumer confusion anchor these torts' internal mechanisms. Passing off requires "misrepresentation", rooted in concepts of consumer protection and the promotion of fair trading practices. Where these elements do not exist, section 7 actions should fail.

### **C. Trade-mark's Place in Canada's IP Framework**

70. Professor David Vaver argues for a coherent intellectual property law framework.<sup>50</sup> Trade-mark is but a part of that framework; its interpretation should align with its other components. Canadian intellectual property laws have more recently adopted explicit exceptions and limitations that accommodate expressive values. Recent amendments to the *Copyright Act* have explicitly identified fair parodies and satires as user rights.<sup>51</sup> Similarly, the *Olympic and Paralympic Marks Act*<sup>52</sup> "was amended to include two exceptions prefaced with the words 'for greater certainty' that permit the use of Olympic and Paralympic marks for criticism or parody, or in artistic works."<sup>53</sup> Courts interpreting the *Trade-marks Act* should keep in mind trade-marks place in the broader scheme of Canadian intellectual property law.
71. Focus on trade-mark's objects of trade, unfair competition and consumer protection in the interpretation of its key concepts will prevent trade-marks law from skewing outside of its proper regulatory framework and promote certainty, consistency and coherency in its application.

## **IV. ORDER SOUGHT**

72. CIPPIC seeks no costs and asks that costs not be awarded against it.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 3rd day of July, 2018

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**David Fewer**

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<sup>49</sup> See, e.g., *BCAA*; see also Martin-Bariteau at 285 para. 556.

<sup>50</sup> David Vaver, "Towards a Distinctive Trademark Law for the 21st Century" 30 *I.P.J.* 184 at 185 (2018).

<sup>51</sup> *Copyright Act* s. 29.

<sup>52</sup> S.C. 2007, c. 25.

<sup>53</sup> Scassa, "A Thousand Words" at 897; Scassa, *Canadian Trademarks Law* at 544-547.



## V. LIST OF AUTHORITIES

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2. <i>Copyright Act, R.S.C. 1985, c. C-42</i>	14 and 70
3. <i>Trade-marks Act, R.S.C. 1985, c. T-13</i>	48 and 52
4. <i>Olympic and Paralympic Marks Act, S.C. 2007, c. 25.</i>	70
<b>Jurisprudence</b>	
5. <i>British Columbia Automobile Assn. v. Office and Professional Employees' International Union, Local 378, [2001] B.C.J. No. 151.</i>	53
6. <i>Cie générale des établissements Michelin - Michelin &amp; Cie v. CAW - Canada, [1996] F.C.J. No. 1685, 71 C.P.R. (3d) 348 (F.C.T.D.).</i>	55
7. <i>Clairol International Corp. v. Thomas Supply &amp; Equipment Co., [1968] 2 Ex. C.R. 552</i>	27, 36, 54, 58 and 66
8. <i>Irwin Toy Ltd. v. Quebec (Attorney General), [1989] S.C.J. No. 36, [1989] 1 S.C.R. 927 (S.C.C.)</i>	20 and 21
9. <i>Kraft Ltd v Canada (Registrar of Trade Marks), [1984] 2 FC 874, 1 CPR (3d) 457</i>	38
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11. <i>Mattel, Inc. v. 3894207 Canada Inc., [2006] 1 S.C.R. 772, 2006 SCC 22</i>	7, 8, 17, 18, 44 and 46
12. <i>R. v. Guignard, [2002] 1 S.C.R. 472, 2002 SCC 14</i>	22 and 23
13. <i>Rizzo &amp; Rizzo Shoes Ltd. (Re), [1998] 1 S.C.R. 27</i>	5 and 32
14. <i>Teva Canada Ltd. v. Pfizer Canada Inc., 2012 SCC 60, [2012] 3 S.C.R. 625 at 32.</i>	13

15. *Théberge v. Galerie d'Art du Petit Champlain inc.*, 2002 SCC 34, [2002] 2 S.C.R. 336 at para. 30. 6 and 12
16. *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, [2006] 1 S.C.R. 824, 2006 SCC 23 49, 50, 58, 60, 61 and 62
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17. David Vaver, "Towards a Distinctive Trademark Law for the 21st Century" 30 I.P.J. 184 at 185 (2018). 70
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19. Florian Martin-Bariteau, *Le droit de marque : une approche fonctionnelle dans l'économie globale et numérique* (Montreal: LexisNexis Canada Inc. 2017) 22, 56 and 69
20. Gordon Gowling, "The New Canadian Trade Marks Act" [1953] Vol. XXXI *Canadian Bar Association* 664 40 and 64
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22. Ruth Sullivan, *Sullivan on the Construction of Statutes* (Markham, Ont: LexisNexis Canada, 2014) 26
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24. Teresa Scassa, *Canadian Trademark Law*, 2<sup>nd</sup> ed. (Toronto: LexisNexis, 2010) 23, 29, 67 and 70