

The Trademark Reporter[®]



The Law Journal of the International Trademark Association

Clairol Revisited: Trademark Rights v. Freedom of Expression and Competition in Canada

Daniel R. Bereskin, Q.C.

Commentary: The Real Life of Fictional Trademarks

Lisa Pearson

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Book Review: *Internet Intermediaries and Trade Mark Rights*. Althaf Marsoof.

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The Trademark Reporter®

CLAIROL REVISITED: TRADEMARK RIGHTS v. FREEDOM OF EXPRESSION AND COMPETITION IN CANADA

*By Daniel R. Bereskin, Q.C.**

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I. INTRODUCTION

Section 22 of the Canadian *Trademarks Act*¹ proscribes unauthorized use of a registered trademark in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto. Likelihood of confusion is not relevant, although proof of such likelihood may assist a plaintiff in proving violation of Section 22.² The use of registered trademarks for comparative purposes on goods or their packaging or for the advertising of services has been enjoined³ for reasons that make little or no commercial sense today. On occasion, the public's rights of freedom of expression and competition have been impaired.⁴ After more than six decades of jurisprudence, the limits of Section 22 are unclear.⁵

Although Parliament made sweeping and controversial⁶ changes to the *Trademarks Act* in 2019, Section 22 was left untouched, and it remains the same as when it was enacted in 1954.⁷

Section 22 of the 2019 *Trademarks Act* is as follows:

22 (1) No person shall use a trademark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.

22 (2) In any action in respect of a use of a trademark 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 goods bearing the trademark that were in the defendant's possession or under their control at the time

¹ Revised Statutes of Canada, R.S.C. 1985 ch. T-13, amended June 17, 2019.

² *Jercity Franchises Ltd. v. Foord*, [1990] 39 F.T.R. 315 (F.C.T.D.).

³ *Clairol Int'l Corp. v. Thomas Supply & Equip. Co. Ltd.*, [1968] 55 C.P.R. 176; *Syntex Inc. v. Apotex Inc.*, [1982] 69 C.P.R. (2d) 264 (*rev'd on appeal*, *Syntex Inc. v. Apotex Inc.*, 1 C.P.R. (3d) 145); *Eye Masters Ltd. v. Ross King Holdings Ltd.* [1992] 44 C.P.R. (3d) 459 (F.C.T.D.); *Smith, Kline & French Can. Ltd. v. Apotex Inc.*, [1983] 71 C.P.R. (2d) 146; *Smith Kline & French Can. Co. v. Apotex Inc.*, [1983] 20 A.C.W.S. (2d) 303; *Jercity Franchises Ltd. v. Foord*, [1990] 39 F.T.R. 315 (F.C.T.D.); *Interlego AG v. Irwin Toy Ltd.*, [1985] 3 C.P.R. (3d) 476 (F.C.T.D.).

⁴ *Source Perrier S.A. v. Fira-Less Marketing Co. Ltd.*, [1983] 70 C.P.R. (2d) 61 (F.C.T.D.), and *United Airlines, Inc. v. Cooperstock*, [2017] 147 C.P.R. (4th) 251.

⁵ Per Binie J. in *Veuve Clicquot Ponsardin, Maison Fondée en 1772 v. Boutiques Cliquot Ltée*, (2006) 1 S.C.R. 824: “. . . 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.”

⁶ See, e.g., Sheldon Burshtein, *Canada Weakens Trademark Structure by Demolishing Use Foundation*, 105 TMR 930 (2015); Bita Amani and Carys Craig, *The ‘Jus’ of Use: Trademarks in Transition*, 30(2) *Intel. Prop. J.* 217 (2018), and Daniel R. Bereskin, Q.C., *Canada's Ill-Conceived New “Trademark” Law: A Venture into Constitutional Quicksand*, 104 TMR 1112 (2014).

⁷ Repeal of Section 22 was recommended by the Department of Consumer and Corporate Affairs, *Working Paper on Trade Marks Law Revision*, 130-5 (January 1974).

notice was given to them that the owner of the registered trademark complained of the use of the trademark.⁸

Sections 19 and 20(1)⁹ of the 1954 *Trade Marks Act* deal with source confusion as follows:

19. 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) 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, but no registration of a trade mark prevents a person from making

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

in such a manner as is not likely to have the effect of depreciating the value of the goodwill attaching to the trade mark.¹⁰

Section 2 of the 1954 *Trade Marks Act* defined “trade mark” and “use” as follows:

“trade mark” means

a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others,

“use”, in relation to a trade mark, means any use that by Section 4 is deemed to be a use in association with wares or services¹¹

Sections 4 (1) and (2) are as follows:

⁸ *Trademarks Act*, R.S.C. 1985 ch. T-13, as amended, § 22.

⁹ Sections 19 and 20 of the 1954 *Trade Marks Act* are identical to Sections 19 and 20 of the present Act except for the spelling of “trademark.”

¹⁰ *Trademarks Act* §§ 19, 20.

¹¹ *Id.* § 2.

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.¹²

The definition of “use” in Section 4 does not stand alone: the context is important. For example, in relation to infringement under Sections 19 or 20, the definition of “trademark” is crucial: infringement occurs *if and only if* the accused trademark is used as a trademark (i.e., for the purpose of distinguishing the user’s goods or services). Proof of “use” as defined in Section 4 (1) and (2) is not sufficient to prove infringement, as discussed below.

In *Clairol International Corp. v. Thomas Supply & Equipment Co. Ltd.*,¹³ Justice Thurlow had to decide, among other issues, whether the use of Clairol’s registered trademarks MISS CLAIROL and HAIR COLOR BATH on packaging for Revlon hair dye was a violation of Section 19 or Section 22 of the 1954 *Trade Marks Act*. The Revlon packages displayed charts comparing Clairol and Revlon hair colors.¹⁴

Justice Thurlow correctly decided that the use of the plaintiff Clairol’s trademarks on Revlon packages is not a violation of the plaintiff’s exclusive rights under Section 19 of the 1954 *Trade Marks Act* because the Clairol trademarks were not used “for the purpose of distinguishing” Revlon’s goods from those of others, as is required by the definitions of “trademark” and “use” in Section 2. That said, Justice Thurlow saw the use of Clairol’s trademarks on Revlon packaging as an unfair trading practice in breach of Section 22. He interpreted Section 22 as forbidding any use of a registered trademark that has the effect of depreciating the value of the goodwill of that trademark, irrespective of whether such use is use as a trademark. Revlon’s use of Clairol’s trademarks in relation to hair color comparison charts on Revlon packages was found to negatively affect the value of Clairol’s goodwill in its trademarks by taking away customers from Clairol.¹⁵ The fact that the charts were truthful comparisons, made no difference to Justice Thurlow’s analysis.

¹² *Id.* § 4.

¹³ [1968] 55 C.P.R. 176 (Ex. Ct.).

¹⁴ *Id.* ¶ 5.

¹⁵ *Id.* ¶ 44.

In support of his decision, Justice Thurlow read the definition of “use” in Section 4(1) of the 1954 *Trade Marks Act* into Section 22 as if it read as follows:

No person shall use in association with wares within the meaning of Section 4 a mark that is used by another person for the purpose of distinguishing or so as to distinguish wares manufactured etc. by him from those manufactured etc. by others and which mark has been registered by him as his trade mark, in a manner likely to depreciate the value of the goodwill attaching thereto.¹⁶

In the author’s view, this is plain wrong.¹⁷ In effect, this amounts to saying that “use” means one thing in Section 19, and something else in Section 22. Section 4 is relevant to registrability¹⁸ and to the kind of use necessary to sustain a registration if challenged for non-use under Section 45. Section 4 is a “deeming” section that ascribes, *when necessary*, a special meaning to “use.”¹⁹ For example, the “use” of an accused trademark that is confusingly similar to a registered trademark in advertising goods associated with the accused trademark is an infringement under Section 20, even though such “use” may not be as defined in Section 4.²⁰

It is contrary to canons of statutory interpretation to attribute one meaning to the word “use” in one part of the statute, and another meaning in another part.²¹ As stated by Justice Sopinka in *R. v. Zeolkowski*, “[. . .] giving the same words the same meaning throughout a statute is a basic principle of statutory interpretation.”²²

Since 1954, in reported Canadian cases where Section 22 injunctions have been granted, it is often the case that the accused trademark is also found to be confusingly similar to the registered trademark. This begs the question as to whether Section 22 is

¹⁶ *Id.* ¶ 37.

¹⁷ For an excellent article on the subject of Section 22, see Mirko Bibic and Vicky Eatrides, *Would Victoria’s Secret Be Protected North of the Border? A Revealing Look at Trademark Infringement and Depreciation of Goodwill in Canada*, 93 TMR 904 (2003).

¹⁸ “Use” of a mark in Canada or abroad is one of the conditions of registrability under the 1954 *Trade Marks Act*.

¹⁹ “The purpose of any ‘deeming’ clause is to impose a meaning, to cause something to be taken to be different from that which it might have been in the absence of the clause,” per Dickson J. in *R. v. Sutherland*, [1980] 2 S.C.R. 451, 456 (S.C.C.).

²⁰ *Trademarks Act* § 20: “The right of the owner of a registered trademark 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 . . .” (emphasis added).

²¹ *R. v. Zeolkowski* (1989), 1 S.C.R. 1378 (Can.), *citing* Elmer Abram Driedger, *Construction of Statutes*, 2d ed. (1983), 93.

²² 61 D.L.R. 4th 725 (citing Driedger, *supra* note 21). See also Kandev and Lennard, *Interpreting and Applying Deeming Provisions of the Income Tax Act*, 60:2 Canadian Tax Journal, 275 (2012).

necessary. If Section 22 is to be retained, which is subject to debate, it should at least be restricted to providing protection for trademarks that are subjected to dilution by blurring or tarnishment, with clear limits as to the scope of and entitlement to such protection. Section 22 should not apply to “taking unfair advantage” of a trademark’s repute, as is the case in the European Union.²³ In addition, there should be no impediment to honest comparative advertising, however displayed.

One commentator has made the contrary argument that *Clairol* is too restrictive, and that trademark law should be sufficiently flexible to enable courts to remedy abuses that are outside the normal boundaries of trademark infringement.²⁴ This view seems to align with the Committee’s objective. This author respectfully disagrees. Expansion of trademark rights increasingly risks interference with freedom of expression and competition. Collisions with such freedoms have already occurred under the present legislation.²⁵ In addition, Section 22 as it presently stands encourages meritless litigation.²⁶

In order better to understand why judicial interpretation of Section 22 at present is unclear, it is necessary to examine its historical roots.

II. REPORT OF THE TRADE MARK LAW REVISION COMMITTEE

The starting point of this analysis is the 1953 *Report of the Trade Mark Law Revision Committee* (the “Committee Report”).²⁷ The Trade Mark Law Revision Committee (the “Committee”) was chaired by Dr. Harold G. Fox, Q.C., a renowned IP scholar, and included other trademark luminaries, including Christopher Robinson Q.C. and John Osborne. The Committee appears to have thought that it was appropriate to be imprecise about the scope of Section 22, in order to give courts sufficient leeway to deal with

²³ Ilanah Simon Fhima and Sir Robin Jacob, *International Trademark Dilution*, Chapter 11, *Unfair Advantage Law in the European Union* (Daniel Bereskin, ed.) 2020.

²⁴ James J. Holloway, *The Protection of Trade-mark Goodwill in Canada: Where We Were, Where We Are and Where We Should be Going*, 17 *Intel. Prop. J.* 1, 13 (2004).

²⁵ *Clairol Int’l Corp. v. Thomas Supply & Equip. Co. Ltd.*, [1968] 55 C.P.R. 176; *Syntex Inc. v. Apotex Inc.*, [1982] 69 C.P.R. (2d) 264 (*rev’d on appeal*, *Syntex Inc. v. Apotex Inc.*, 1 C.P.R. (3d) 145); *Eye Masters Ltd. v. Ross King Holdings Ltd.* [1992] 44 C.P.R. (3d) 459 (F.C.T.D.); *Smith, Kline & French Can. Ltd. v. Apotex Inc.*, [1983] 71 C.P.R. (2d) 146; *Smith Kline & French Can. Co. v. Apotex Inc.*, [1983] 20 A.C.W.S. (2d) 303; *Jercity Franchises Ltd. v. Foord*, [1990] 39 F.T.R. 315 (F.C.T.D.); *Interlego AG v. Irwin Toy Ltd.*, [1985] 3 C.P.R. (3d) 476 (F.C.T.D.).

²⁶ *See, e.g.*, *Venngo Inc. v. Concierge Connection Inc.*, [2017] 146 C.P.R. (4th) 182 (the descriptor “Member perks include” was alleged to violate the plaintiff’s rights under Section 22 in the registered trademark MEMBERPERKS).

²⁷ January 20, 1953, *Queen’s Printer*.

issues involving an undefined host of unfair trading practices. This appears from the following portion of the *Committee Report*:

We have, furthermore, provided a Section which defines infringement in terms that will protect a trade mark owner against practices that have not, in the past, been susceptible of relief. Thus, where a trade mark has been employed in association with wares infringement has sometimes been avoided by the manner of its use. For example, wares might be offered for sale as a substitute for trademarked wares and it has been held, prior to the enactment of the UK 1938 *Trade Marks Act*, that such a use did not constitute infringement. (*Irving's Yeast-Vite Ltd. v. Horsenail* (1934), 51 R.P.C. 110). The 1938 amendment to the British Act had the result of widening the net of infringement (See, for example, *Bismag Ltd. v. Amblins (Chemists) Ltd.* (1940), 57 R.P.C. 209) and we have felt it proper to make provision to like effect. In Sections 19 and 20 we have provided that an action for infringement shall lie against any person who sells, distributes or advertises any wares or services in association with a registered trade mark or a confusing trade mark who is not entitled to do so under the Act. We have, however, safeguarded this broad provision by protecting the bona fide use, other than as a trade mark, of the geographical name of a trader's place of business, of an accurate description of the character or quality of his wares or services, or of his personal name, provided that the use is in such a manner as is not likely to have the effect of depreciating the value of the goodwill attaching to the trade mark. (Section 20).

This latter expression has appealed very strongly to us. We have been impressed by the fact that infringement actions have sometimes been decided on wholly artificial rules, as the *Yeast-Vite* case above noted indicates. 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. We have, therefore, made a positive provision to that effect in Section 22. If, therefore, a well known trade mark is used by other than the trade mark owner in such a manner as would not previously have 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.

It has seemed to us that the provisions which we propose will relieve trade and commerce from the rigid and artificial boundaries which have been circumscribed around the ambit

of trade mark protection, not only by the statutory provisions but by the jurisprudence which have heretofore been effective. 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 which has been made of a trade mark or trade name and the reputation acquired by it. The particular ambit of protection will in the future so far as applies to registration, be a matter for determination, having regard to all the circumstances, by the Registrar in the first instance, and by the Exchequer Court on appeal. So far as concerns questions of infringement, passing off and unfair competition, these will similarly be a matter for determination by the Courts of Canada. 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.²⁸

The comment “anything that depreciates the value of the goodwill attaching to a trade mark should be prohibited” is particularly troublesome, suggesting as it does that trademark rights should enable the trademark owner to attack any conduct by a competitor that depreciates the value of the goodwill associated with the trademark. Successful honest comparative advertising has the effect of diverting sales from a rival trader to the advertiser and therefore arguably depreciates the value of the goodwill associated with the rival’s trademark, as Justice Thurlow found in *Clairol*.²⁹ Honest competition cannot be wrong.

As discussed below, despite the favorable reference in the *Committee Report* to the *Bismag* case, neither the 1954 *Trade Marks Act* nor the present *Trademarks Act* contains a provision similar to Section 4(b) of the UK 1938 *Trade Marks Act* that was decisive in *Bismag*.³⁰ Evidently the Committee thought that Section 20 of the 1954 *Trade Marks Act* is sufficient to prevent comparisons of the kind that were enjoined in *Bismag*. It is clear that the Committee, including the distinguished lawyers referred to above, had a strong view that trademark law ought to be expanded substantially with unclear limits in order to give courts adequate flexibility to abate what they saw as unfair use of registered trademarks.

In the decades that have followed the *Committee Report*, commercial circumstances have changed profoundly, and

²⁸ *Report of the Trade Mark Law Revision Committee* (“*Committee Report*”), *supra* note 27, § 17, at 26.

²⁹ In *Clairol*, paragraph 42, Justice Thurlow evidently did not consider “blurring” to be caught by Section 22, another oddity of the case.

³⁰ Comparative advertising involving geographical indications is expressly permitted, except in relation to such use on labels or packaging: *Trademarks Act*, §§ 11.16 (3) and (4).

trademark rights have expanded as a result of favorable judicial treatment.³¹ In the author's view, expansion of trademark rights without clear statutory limits carries a real risk of adversely affecting freedom of expression and competition. Also, without such limits, the law encourages bullying litigation³² and makes it difficult for honest traders (and their lawyers) to know where they stand.

The *Yeast-Vite*³³ case that troubled the Committee involved a dispute between the owner of the registered trademark YEAST-VITE for a pharmaceutical preparation, and a druggist who sold tablets in glass bottles. The bottles were labelled: "Yeast tablets. A substitute for 'Yeast-Vite.' The Herbalist, 17, Broad Street, Northgate Street, Canterbury."³⁴ The trial judge decided this was not trademark infringement because the 1905 UK *Trade Marks Act* defined "trade mark" as "[a] mark used or proposed to be used upon or in connection with goods for the purpose of indicating that they are the goods of the proprietor of such trade mark by virtue of manufacture, selection, certification, dealing with, or offering for sale."³⁵

The Court of Appeal unanimously agreed with the decision of the trial judge that such "use" did not constitute an infringement of the plaintiff's registered trademark because the use was not for the purpose of identifying source. The House of Lords agreed with the Court of Appeal. As stated by Lord Justice Romer:

The case seems to me to be covered by that of *Young v. Grierson* to which Lord Justice Lawrence has referred and which forms the basis of the judgment of Mr. Justice Bennett. What that case decided, as I understand it, is this, that, whereas Section 39 of the Trade Mark Act 1905 provides that the registered proprietor of a trade mark shall have, or the registration of a person as a proprietor of a trade mark shall give to such person, the exclusive right to the use of such trade mark upon or in connection with goods in respect of which it is registered, nevertheless the person who

³¹ See, e.g., *Vancouver Cmty. Coll. v. Vancouver Career Coll. (Burnaby) Inc.*, [2017] BCCA 41; *United Airlines, Inc. v. Cooperstock*, [2017] 147 C.P.R. (4th) 251; *Sleep Country Can. Inc. v. Sears Can. Inc.*, [2017] F.C. 148.

³² S.L. Dogan, *Bullying and Opportunism in Trademark and Right-of-Publicity Law*, BUL Rev. 96, 1293 (2016) (citing Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 Wis. L. Rev. 625, 629; Jessica M. Kiser, *To Bully or Not to Bully: Understanding the Role of Uncertainty in Trademark Enforcement Decisions*, 37 Colum. J.L. & Arts 211, (2014); Irina D. Manta, *Bearing Down on Trademark Bullies*, 22 Fordham Intell. Prop. Media & Ent. L.J. 853, 855 (2012); Kenneth L. Port, *Trademark Extortion: The End of Trademark Law*, 65 Wash. & Lee L. Rev. 585 (2008); Jeremy N. Sheff, *Fear and Loathing in Trademark Enforcement*, 22 Fordham Intell. Prop. Media & Ent. L.J. 873, 873 (2012)).

³³ (1934) (H.L.) *Irving's Yeast-Vite Ltd. v. Horsenail* [1933] 50 R.P.C. 139, *aff'd*, [1984] 51 R.P.C. (HL) 110.

³⁴ *Id.*

³⁵ 1905 UK *Trade Marks Act* § 3.

uses the precise mark upon or in connection with goods of that description is not infringing the exclusive right given to the registered proprietor by Section 39 if he can show that he is not using the mark in such a way as to indicate the origin of the goods.³⁶

Largely as a result of *Yeast-Vite*, the 1905 UK *Trade Marks Act*³⁷ was amended in 1939³⁸ to broaden the rights afforded to the owners of registered trademarks. In particular, the following proscription was added to Section 4(b):

In a case in which the use is use upon the goods or in physical relation thereto or in an advertising circular or other advertisement issued to the public, as importing a reference to some person having the right either as proprietor or as registered user to use the trade mark or to goods with which such a person as aforesaid is connected in the course of trade.³⁹

Shortly after the 1939 UK *Trade Marks Act* came into force, *Bismag*⁴⁰ reached the Court of Appeal. The plaintiff was the registered proprietor of the trademark BISURATED used, *inter alia*, for a medicinal powder for human use. The defendant used the trademark BISURATED in a pamphlet containing a chart comparing the plaintiff's product and a corresponding product of the defendant. The plaintiff sued for trademark infringement and passing off.

At trial, Justice Simonds held that the word "Bisurated" was not used in the pamphlet "in relation to" the defendant's goods, but in relation to the plaintiff's goods, and that the action failed so far as it was for infringement of the trademark BISURATED.

The plaintiff appealed, and in a split decision, the Court of Appeal allowed the appeal, granting an injunction to the plaintiffs. As stated by Lord Justice Clauson in relation to Section 4(b) of the 1939 *Trade Marks Act*:

It is true that the effect of the construction thus placed on the subsection is to confer on the Plaintiffs a right crucially different in principle from the rights heretofore enjoyed by the owners of trade marks. It is, however, to be observed that, if the Legislature thought that the Plaintiffs in the case of *Irving's Yeast-Vite Ltd. v. Horsenail* had a real grievance against the Defendants in that case, and if the Legislature

³⁶ *Irving's Yeast-Vite*, (1934) 51 RPC 110, at 146.

³⁷ *Trade Marks Act*, 1938, 1 & 2 Geo. 6. C. 22 (UK).

³⁸ The statute is referred to in some reported cases as the 1939 *Trade Marks Act*, the year it came into force, and on one occasion as the *Trade Marks Act*, 1938.

³⁹ *Trade Marks Act*, 1938 § 4(b).

⁴⁰ (1940) *Bismag Ltd. v. Amblins (Chemists) Ltd.*, [1940] 57 R.P.C. 209.

desired to remedy that grievance, they have, on the construction placed by me on this subsection, effectually remedied it.⁴¹

Although this reasoning in *Bismag* has been doubted,⁴² the decision was confirmed in *Chanel Ltd. v. Triton Packaging Ltd.*⁴³

III. CLAIROL

With this background, it is now appropriate to turn to the case that is the root of the problems addressed in this article, *Clairol International Corp. v. Thomas Supply & Equipment Co. Ltd.*⁴⁴ *Clairol* is the first case to deal with Section 22 of the 1954 *Trade Marks Act*. Section 22 has remained unchanged since it first came into force in 1954.

The defendant sold Revlon hair coloring preparations in packages marked with color comparison charts, using plaintiff Clairol's registered trademarks MISS CLAIROL and HAIR COLOR BATH. After dismissing the plaintiff's attack based on passing off under Section 7(b) of the *Trademarks Act*, Justice Thurlow then turned his attention to claims based on Sections 19 and 22 of the 1954 *Trade Marks Act*.

As indicated above, Justice Thurlow found that the defendant was not in violation of Section 19 because the phrase "exclusive right to the use" in Section 19 requires the "use" be use as a trademark.⁴⁵ The defendant's "use," while technically within the definition of "use" under Section 4, was not considered "use" for the purpose of distinguishing the goods of the defendant, that is, it was not a trademark use. His reasons are expressed as follows:

In all cases, however, a trade mark is defined by reference to use for the purpose of distinguishing or so to distinguish wares or services whether of a particular origin or of a defined standard, from others. When therefore Section 19

⁴¹ *Id.*

⁴² *Aristoc, Ltd. v. Rysta, Ltd.*, [1945] 62 R.P.C. 65 (per Lord Macmillan: "I do not think that the widened language of the 1938 Act has inferentially altered the essential conception of a trade mark in law and in this I agree with and prefer the judgments in the *Bismag* case of my noble and learned friend then Simonds J. (1940) 1 Ch. 225 and MacKinnon L.J. whose reasoning I need not repeat.")

⁴³ *Chanel Ltd. v. Triton Packaging Ltd.*, [1993] R.P.C. 32 (per Dillion L.J.: "However, the crux of the matter is the true construction of Section 4(l)(b) to determine what Parliament has seen fit to provide. Section 4 of the 1938 Act has not received universal acclaim for the clarity of the draftsmanship.")

⁴⁴ *Clairol Int'l Corp. & Clairol Inc. of Can. v. Thomas Supply & Equip. Co. Ltd.*, [1968] 55 C.P.R. 176.

⁴⁵ "Trade mark" is defined in the 1954 *Trade Marks Act* as "a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others"

provides that the registration of a trade mark in respect of any wares or services gives to the owner “the exclusive right to the use of such trade mark throughout Canada in respect of such wares or services” what it appears to me to confer is the exclusive right to the use of such mark in association with such wares or services (within the meaning of Sections 2(v) and 4) for the purpose of the trade mark or of a defined standard from others. A use of the mark, in association with wares or services, within the meaning of Sections 2(v) and 4, that is not “for the purpose of distinguishing or so as to distinguish” the particular wares or services from others is not, however, as I see it within the area of the exclusive right conferred by Section 19.⁴⁶

Justice Thurlow cited *Yeast-Vite* in his reasons, not *Bismag*, so presumably he thought that the Committee had not effected any change in the law by drafting Sections 19 and 20 as they did. Indeed, he made reference to the 1905 UK *Trade Marks Act*, not the 1939 *Trade Marks Act* to which the Committee had referred with obvious approval.

Section 20 provides that “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.”⁴⁷ Justice Thurlow did not mention Section 20 in his reasons, although it is unlikely the application of Section 20 would make any difference to his analysis because similar language relating to “exclusive use” appears in both Sections 19 and 20.⁴⁸ In citing *Yeast-Vite*, Justice Thurlow referred to the following comment by Lord Tomlin in the Court of Appeal decision:

The phrase “the exclusive right to the use of such mark” carries in my opinion the implication of use of the mark for the purpose of indicating in relation to the goods upon or in connection with which the use takes place, the origin of such goods in the user of the mark by virtue of the matters

⁴⁶ *Id.*

⁴⁷ *Trademarks Act* § 20.

⁴⁸ This point is discussed in *Michelin*, where Justice Teitelbaum observed: “Section 20 was not explicitly argued in *Clairol*, but Justice Thurlow’s ruling on the meaning of ‘use’ under Section 19 also encompasses how ‘use’ is to be understood in relation to Section 20 since both Section 19 and Section 20 focus on the scope of the registered owner’s rights.” 71 C.P.R. (3d) 348, ¶ 19. Justice Teitelbaum further stated: “Indeed, Justice Thurlow’s decision in *Clairol* on the proper interpretation of Section 20 and Section 22 of the Trademarks Act has been cited with approval and applied by numerous courts, including the Federal Court of Appeal in *Syntex Inc. v. Apotex Inc.* (1984), 1 C.P.R. (3d) 145 (F.C.A.). However, as Justice MacKenzie noted in *Future Shop*, at page 188, *Clairol* has yet to be definitively interpreted by an appellate court.” *Id.* ¶ 36.

indicated in the definition of “trade mark” contained in Section 3.⁴⁹

In the author’s view, Justice Thurlow was correct in deciding that the unauthorized use of a registered trademark does not violate the trademark owner’s exclusive rights under Sections 19 or 20 if the trademark is not used as a source identifier. The reason for this is that Section 2 (as it then was) defines “trade mark” to mean “a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others. . . .”⁵⁰

It therefore follows that the exclusive right conferred by Section 19 is to the use of a trademark for the purpose of identifying source. The same reasoning applies to Section 20: it is infringed if and only if the accused trademark is used as a source identifier. Suppose the mark CLAIROL is registered only for hair coloring preparations, and an unauthorized third party uses the mark CLAIROL for hair salon services. This would constitute an infringement of Section 20 because such use would cause or be likely to cause confusion⁵¹ irrespective whether the registration for CLAIROL covers hair salon services. Conversely, if an unauthorized third party uses the mark CLAIROL in honest comparative advertising, this would not violate Section 20 because such use is not a trademark use as is required by Section 20.

Thurlow’s finding in relation to Section 22 of the 1954 *Trade Marks Act* is more controversial. Clairol was the market leader in the field of hair coloring preparations, then enjoying a 70 percent market share in pharmacy sales. Revlon was a well-established company, but relatively new to the hair color market. Justice Thurlow found that Revlon’s packaging, with its use of Clairol’s registered trademarks MISS CLAIROL and HAIR COLOR BATH in a color comparison chart, was likely to depreciate the value of the goodwill symbolized by these trademarks, by potentially diverting Clairol sales to Revlon and its distributors.⁵²

The problem Justice Thurlow faced is this: how can the defendants be enjoined from displaying Clairol trademarks on their packaging without curbing honest comparative advertising, for example, in brochures distributed by the defendant? His solution was to read into Section 22 the provisions of Section 4(1) (which defines “use” in relation to goods). In doing so, Justice Thurlow decided that the use of a registered trademark in Section 22 does not mean the same thing as in Section 19. Logically it should.

⁴⁹ *Id.*

⁵⁰ *Trademarks Act* § 2.

⁵¹ R.S.C. 1985 ch. T-13, § 6.

⁵² *Id.* ¶ 42.

Instead of requiring use of a trademark as a source identifier, Justice Thurlow decided that Section 22 is aimed at depreciating the value of the goodwill associated with the registered trademark irrespective of any likelihood of confusion. That interpretation therefore means that the phrase “No person shall use a trademark” in Section 22 does not require use to be a source identifier.

In deciding to import Section 4 into Section 22, Justice Thurlow apparently overlooked that Section 4 not only covers “use” in relation to wares, but also covers “use” in relation to services: “[a] trademark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.”⁵³ Therefore, applying the same logic as Justice Thurlow, it would follow that comparative advertising involving the unauthorized use of a registered trademark for services could violate Section 22, even though comparative advertising in relation to goods would not. Plainly, that makes no sense.

It is also apparent that a registered trademark covering goods can be infringed under Section 20 by publishing advertising containing a confusingly similar trademark, whereas according to Justice Thurlow’s analysis, the same would not be the case in relation to Section 22.

Justice Thurlow commented:

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.⁵⁴

Section 4(1) includes the following text: “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.

It therefore follows that if a shopkeeper installs a counter poster at the point of sale describing goods that are competitive with those of the owner of a registered trademark, with a notice referring to the registered trademark for comparison purposes, according to Justice Thurlow’s logic, that would constitute “use” under Section 4(1), and logically would not be different from display of a registered trademark on packages containing the goods. Despite this, Justice Thurlow specifically excluded counter posters from Section 22 liability. It would have been correct to exclude point of sale counter

⁵³ 1954 *Trade Marks Act* § 4(2).

⁵⁴ *Claireol*, ¶ 36.

posters from Section 22 by reading the definition of “trademark” in Section 2 into Section 22, i.e., comparative “use” is not a use for the purpose of distinguishing and therefore should not be caught by Section 22 irrespective whether the accused trademark is applied to goods themselves, their packages, or to counter posters. Justice Thurlow’s observation that a counter poster would not violate Section 22 therefore contradicts his opinion that a comparison chart applied to the Revlon packages would violate Section 22 because it would have the effect of diverting sales to Revlon. If diversion of sales means depreciation of goodwill, a point of sale counter poster would have at least the same effect as a comparison chart applied to packages.

Justice Thurlow’s interpretation of “use” under Section 22 became problematic in the case *Eye Masters Ltd. v. Ross King Holdings Ltd.*⁵⁵ The defendant published an advertisement comparing its prices for services against those of the plaintiff, using the plaintiff’s registered EYEMASTER service mark on its comparison chart. Therefore, the advertisement constituted “use” of the mark for services under Section 4 (2). Applying the reasoning in *Clairol*, Justice Reed thought the result was “somewhat bizarre” but she ultimately did not disagree with Justice Thurlow and she granted an interlocutory injunction to enjoin the defendant’s comparative advertising of its services.⁵⁶

Perhaps Justice Thurlow thought it wrong for the defendant to “take a free ride” on the goodwill symbolized by the Clairol trademarks. Honest comparative advertising, if successful, results in diversion of sales. If successful comparative advertising diverts sales from a competitor to the advertiser, this could be said to diminish the value of the goodwill. Clearly, this is not wrong, nor should honest comparative charts applied to goods or their packaging be wrong.

In addition to *Eye Masters*, other cases have sought to distinguish *Clairol* while not expressly disagreeing with Justice Thurlow’s analysis or the result. In *Future Shop Ltd. v. A. & B. Sound Ltd.*,⁵⁷ the court held that a comparison price chart, which displayed the plaintiff’s registered service mark THE FUTURE SHOP did not constitute a depreciation of goodwill despite the fact that this constituted “use” of the mark in accordance with Section 4, according to the *Clairol* logic. The court distinguished *Clairol* by reasoning that in *Clairol*, the defendant had used the plaintiff’s trademarks “to capitalize on the similarities of its products to those of Clairol and appropriate part of the Clairol goodwill in so doing.”

⁵⁵ *Eye Masters Ltd. v. Ross King Holdings Ltd.*, [1992] 44 C.P.R. (3d) 459 (F.C.T.D.).

⁵⁶ Numerous cases have followed *Clairol* in enjoining comparative advertising; see *Jercity Franchises Ltd. v. Foord*, [1990] 39 F.T.R. 315 (F.C.T.D.).

⁵⁷ *Future Shop Ltd. v. A. & B. Sound Ltd.*, [1994] 55 C.P.R. (3d) 182.

The court found that a comparison chart stressing differences between the advertiser's product and that of the competition does not attach itself to the competitor's goodwill in the same manner. If the decision in *Clairol* is defended on the ground that the defendants unfairly took a "free ride" on Clairol's goodwill, why should telling the truth about a competitor's product be wrong?

In *Cie Général des Établissements Michelin-Michelin & Cie v. C.A.W.-Canada*,⁵⁸ the plaintiff manufacturer of tires for automobiles sought to enjoin the defendant's reproduction of its BIBENDUM trademarks on leaflets and brochures distributed by the defendant, a trade union, to 3,000 employees as part of a certification drive. The Bibendum character was shown stepping on the plaintiff's employees. Although the court concluded that the defendant had not "used" the plaintiff's trademarks within the meaning of Section 4, it went on to consider whether the goodwill attaching to the trademarks had been depreciated by their reproduction on the leaflets. The court concluded that although the leaflets and posters might diminish the plaintiff's reputation as an employer, it was not satisfied that the plaintiff had proven that they would have a deleterious effect on the plaintiff's reputation as a manufacturer of tires.

In *Source Perrier (Société Anonyme) v. Fira-Less Marketing Co. Ltd.*,⁵⁹ the plaintiff sought injunctive relief against the defendant, which sold ordinary tap water in green bottles bearing the words "Pierre Eh!" in order to lampoon former Prime Minister Pierre Elliot Trudeau. Mr. Justice Dubé granted the injunction, in part on the basis that the defendant's "Pierre Eh!" mark depreciated the value of the well-known PERRIER mark. In his interpretation of Section 22, Justice Dubé suggested that a normative similarity exists between Section 22 and U.S. anti-dilution jurisprudence; in that both serve to protect well-known marks from tarnishment. Justice Dubé rejected the defense that the use of "Pierre Eh!" constituted parody and therefore should not be enjoined on the ground of commercial free speech. It is likely the opposite result that would have been obtained under the U.S. Trademark Dilution Revision Act ("TDRA"), notwithstanding the court's reference to U.S. dilution jurisprudence. It should also be noted that *Perrier* was decided prior to the decision of the Supreme Court of Canada in *R. v. Guignard*⁶⁰ discussed below.

Although *Clairol* to date has not been overruled, it is appropriate to question the correctness of *Clairol*, for at least three reasons.

⁵⁸ *Cie Général des Établissements Michelin-Michelin & Cie v. C.A.W.-Can.*, [1996] 71 C.P.R. (3d) 348.

⁵⁹ *Source Perrier S.A. v. Fira-Less Marketing Co. Ltd.*, [1983] 70 C.P.R. (2d) 61 (F.C.T.D.).

⁶⁰ [2002] 1 S.C.R. 472.

First, it is wrong to read Section 4 into Section 22 as Justice Thurlow has done, because that leads to the conclusion that honest comparative advertising depicting a registered trademark covering goods does not offend Section 22, whereas honest comparative advertising depicting a registered trademark for services does offend Section 22. This has forced subsequent courts to engage in mental gymnastics without specifically acknowledging that *Clairol* was wrongly decided.⁶¹

Second, Section 4 is a “deeming” section that ascribes, *when necessary*, a special meaning to “use.”⁶² Section 4 relates to registrability⁶³ and the kind of use necessary to sustain a registration if challenged for non-use under Section 45.

Third, if a trademark is registered for use in association with goods, and a defendant issues untruthful, defamatory publicity attacking the plaintiff’s trademark and associated goods, this would surely offend statutory, common and civil law provisions (such as Section 7(d) of the *Trademarks Act*), irrespective whether such publicity constitutes “use” under Section 4.

What then is the use of Section 22? Recall the portion of the *Committee Report* that stated:

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. We have, therefore, made a positive provision to that effect in Section 22. If, therefore, a well known trade mark is used by other than the trade mark owner in such a manner as would not previously have 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.⁶⁴

It therefore seems likely that the Committee thought that Section 20 is sufficient to prohibit the type of commercial activity permitted in *Yeast-Vite*, and added Section 22 to prevent trademark

⁶¹ See, e.g., *Interleigo AG v. Irwin Toy Ltd.*, [1985] 3 C.P.R. (3d) 476 (F.C.T.D.); *Syntex Inc. v. Apotex Inc.*, [1982] 69 C.P.R. (2d) 264 (*reversed on appeal*, *Syntex Inc. v. Apotex Inc.*, 1 C.P.R. (3d) 145); *Eye Masters Ltd. v. Ross King Holdings Ltd.*, [1992] 44 C.P.R. (3d) 459 (F.C.T.D.); *Future Shop Ltd. v. A. & B. Sound Ltd.*, [1994] 55 C.P.R. (3d) 182; *Cie Général des Établissements Michelin-Michelin & Cie v. C.A.W.-Can.*, [1996] 71 C.P.R. (3d) 348; *Aetna Life & Cas. Co. v. Captain Normac Riverboat Inn Ltd.*, [1982] 20 C.C.L.T. 240 (Ont. H.C.); *Nintendo of Am. Inc. v. Camerica Corp.*, [1991] 34 C.P.R. (3d) 193 (Fed. T.D.); *ITV Techs., Inc. v. WIC Television Ltd.*, [2005] 38 C.P.R. (4th) 481, 2005 FCA 96.

⁶² “The purpose of any ‘deeming’ clause is to impose a meaning, to cause something to be taken to be different from that which it might have been in the absence of the clause,” per Dickson J. in *R. v. Sutherland*, [1980] 2 S.C.R. 451, 456 (S.C.C.).

⁶³ “Use” of a mark in Canada or abroad was one of the conditions of registrability under the 1954 *Trade Marks Act*.

⁶⁴ *Committee Report*, *supra* note 26, § 17, at 26.

disparagement or tarnishment. In later writing, Dr. Fox concluded that Section 22 has a wider scope, but he did not indicate its limits. In his text *The Canadian Law of Trade Marks and Unfair Competition*, Dr. Fox observed that Section 22 applies to 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.⁶⁵ He added, “[u]niqueness is the qualifying point of distinctiveness and if the same trade mark is permitted to be used in association with the thousand and one different classes of wares entering into modern commerce, that trade mark is no longer unique but becomes practically an everyday word in the language.”

Although *Clairol* has not as yet been overruled, courts have found ways to do justice without slavishly following *Clairol*. An example is *Venngo Inc. v. Concierge Connection Inc.*⁶⁶ In *Venngo*, the plaintiff is the owner of a series of trademarks comprising the word “perks,” including a registration for the mark MEMBERPERKS. One of the issues in the case was whether the defendant’s use of the phrase “member perks include” in advertising is a violation of Section 22 of the *Trade Marks Act*. Agreeing with the trial judge, Justice Gleason of the Federal Court of Appeal held that the use of the descriptive phrase “member perks” is not “use” of the plaintiff’s registered trademark MEMBERPERKS because use of the phrase “member perks include” in the defendant’s advertising is not use as a trademark. Her reasons were expressed as at paragraph 83:

Here, the Federal Court did not err in holding that CCI’s use of the words “MEMBER PERKS INCLUDE” was not use of Venngo’s trade-mark or something closely akin to it as it is clear that CCI was not using the words in question as a trade-mark. Rather, on the impugned web pages, CCI was merely writing an introductory phrase, using common English words, to describe its own offerings to its own membership by noting that its perks included the items that appeared in the web links. In so doing it did not offend Section 22 of the Trade-marks Act because the words “MEMBER PERKS” were not being used as a trade-mark and therefore could not fall within the ambit of Section 22. Thus, the Federal Court did not err in its Section 22 analysis.⁶⁷

In other words, the plaintiff failed to prove violation of Section 22, not because the “use” was not as defined in Section 4, but because the “use” was not a trademark use. *Venngo*

⁶⁵ Harold G. Fox, *The Canadian Law of Trade Marks and Unfair Competition* (2d ed.) p. 507-508, 1956.

⁶⁶ *Venngo Inc. v. Concierge Connection Inc.*, [2017] 146 C.P.R. (4th) 182.

⁶⁷ *Id.* ¶ 83.

demonstrates the harm that Section 22 may cause: it encourages bullying litigation even if aimed at descriptors.

The word “use” appears more than 170 times in the *Trademarks Act*. In a number of instances, the word “use” is not given its Section 4 definition, nor is it qualified.⁶⁸ Therefore, the Section 4 definition of “use” should not be applied universally: the context in which the word is used should be determinative. Accordingly, it is submitted that any “use” that constitutes a violation of the rights of the trademark owner under Sections 19, 20, or 22 must be use for the purpose of distinguishing the user’s goods or services as required by the definition of “trademark” in Section 2. That is generally the case in other provisions of the *Trademarks Act*, unless explicitly otherwise stated.⁶⁹

There are at least two possible ways of interpreting Section 22 as it now stands.

First, Section 22 could be interpreted as requiring “use” to be use for the purpose of identifying source, as is the case in Sections 19 and 20. That would overrule *Clairol*, and until the statute is repealed and replaced with a more appropriate code, in the author’s view this is the preferred alternative. Use of registered trademarks in honest comparative advertising, whether applied to goods or services, would therefore be permitted. A disadvantage is that this requirement likely would not prevent the use of disparaging depictions of a registered trademark that are not used for identifying source. For example, the use of an image with sexual connotations applied to T-shirts containing a registered trademark might be intended as a form of humor and not as a source identifier. Whether or not such use would be permitted by the *Charter of Rights and Freedoms* (“the *Charter*”),⁷⁰ is another matter⁷¹ (see Part V below).

⁶⁸ Section 16(2) of the *1954 Trade Marks Act* gave applicants the right to register a trademark in Canada that the applicant or the applicant’s predecessor had registered in the applicant’s country of origin and had used in a country other than Canada (Section 30 (d)). “Use” in this context must mean use as a trademark, and not merely a technical use as defined by Section 4.

⁶⁹ In several instances, the phrase “as a trademark or otherwise” is used when the context requires that the use is not to be limited to use as a trademark for distinguishing goods or services (e.g., Section 9 (1), Section 9 (2), Section 11).

⁷⁰ *The Constitution Act*, Part I, 1982, being Schedule B to the Canada Act 1982 (UK), 1982, c.11.

⁷¹ This thorny issue has been the subject of scholarly debate and case law in the United States for decades. See, e.g., Laura E. Little, *Just a Joke: Defamatory Humor and Incongruity’s Promise*, 21 S. Cal. Interdisciplinary Law J. (2011); Ned Snow, *Free Speech & Disparaging Trademarks*, 57 B.C. L. Rev. 1639 (2016) (the author’s opinion has been contradicted by the decision of the Supreme Court in *Matal v. Tam*, 122 U.S.P.Q. 2d 1757 (2017)); Anne Gilson LaLonde and Jerome Gilson, *Trademarks Laid Bare: Marks That May Be Scandalous or Immoral*, 101 TMR 1476 (2011); Anthony L. Fletcher, *The Product with the Parody Trademark: What’s Wrong with Chewy Vuiton?*, 100 TMR 1091 (2010); Sonia K. Katyal, *Brands Behaving Badly*, 109 TMR 819 (2019); Kathleen McCarthy, *Free*

Second, Section 22 could be restricted to conduct that has the effect of “bringing the trade mark into contempt or disrepute in the public mind” as indicated in the *Committee Report*.⁷² This would overrule *Clairol* and would have no impact on honest comparative advertising, but would exclude trademark dilution by blurring. Section 22 would then be restricted to cases involving trademark tarnishment that has a substantial deleterious effect on the image of the trademark in the mind of the public. None of the Section 22 cases reported to date are likely to have that result.

It is interesting to compare the foregoing alternatives with the South African case *Laugh It Off Promotions CC v. Sabmark International*.⁷³ Defendant Laugh It Off sells T-shirts in South Africa, claiming to make social commentary. They reproduce on their T-shirts, a label design similar in appearance and color to Sabmark’s Carling Black Label design mark, replacing “Black Label” with “Black Labour,” “Carling Beer” with “White Guilt” and “America’s lusty lively beer” with “Africa’s lusty lively exploitation since 1652.” The High Court granted Sabmark an injunction based on violation of the anti-dilution provisions of the South Africa *Trade Marks Act*, Section 34(1)(c). The Supreme Court of South Africa affirmed. Laugh It Off then appealed to the Constitutional Court on the ground that its conduct is permitted as a right of free expression under Section 16 of the *Constitution Act* of South Africa. The Constitutional Court found in favor of Laugh It Off essentially on the ground that Sabmark had failed to prove a likelihood of economic detriment to its Black Label trademark sufficient to outweigh the right of free expression conferred by the Constitution Act.

To date, Canadian courts have not been inclined to allow the *Charter* to trump trademark rights, but the decision in *Laugh It Off* makes a great deal of sense. Trademarks entitled to Section 22 protection surely must at least be well known, if not famous, and the very strength of such trademarks should enable them to withstand petty insults without any significant damage. In short, the extraordinary remedy of an injunction under Section 22 should be granted only in cases where the damage to the registered trademark significantly outweighs the damage to the public’s right of freedom of expression.

Ride or Free Speech? Predicting Results and Providing Advice for Trademark Disputes Involving Parody, 109 TMR 691 (2019); *Secret Catalogue, Inc. v. Moseley*, 605 F.3d 382 (6th Cir. 2010); *Pfizer Inc. v. Sachs*, 652 F. Supp. 2d 512 (S.D.N.Y. 2009); *VIP Prods. LLC v. Jack Daniel’s Prods., Inc.*, 291 F. Supp. 3d 891 (D. Ariz. 2018) (*BAD SPANIELS v. JACK DANIELS*).

⁷² *Committee Report*, *supra* note 27, § 17, at 26-27.

⁷³ *Laugh It Off Promotions CC v. Sabmark Int’l*, 2006 (1) SA 144 (CC).

IV. *VEUVE CLICQUOT*

Only one case has reached the Supreme Court of Canada to date in relation to Section 22—*Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*.⁷⁴ The plaintiff is the owner of the registered trademarks *VEUVE CLICQUOT* and *CLICQUOT* for champagne. The defendant operated a chain of stores specializing in women's wear under the names *BOUTIQUE CLIQUOT* and *CLIQUOT*. The action was primarily based on breach of Sections 20 and 22. The trial judge found there was little or no likelihood of confusion as to source, so the Section 20 claim was dismissed at trial and affirmed by the Federal Court of Appeal.

With respect to the Section 22 depreciation claim, the plaintiff alleged that the fame of the *VEUVE CLICQUOT* mark is such that associating the name *CLIQUOT* with a women's clothing store depreciated the value of the plaintiff's mark. The appeal to the Supreme Court of Canada failed because the plaintiff did not prove that consumers, seeing the defendant's trademark *CLIQUOT*, would make a connection with either of the plaintiff's marks *VEUVE CLICQUOT* or *CLICQUOT*. Without such connection, there is no liability under Section 22.

In a carefully reasoned judgment, Justice Binnie set out criteria upon which a claim based on Section 22 should be based:

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).⁷⁵

Although Justice Binnie made reference to the definition of "use" in Section 4, the definition did not factor into his analysis, because the defendant's use of *CLIQUOT* is a trademark use.

Justice Binnie was sensitive to the possibility of over-expansion of the scope of Section 22:

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-

⁷⁴ *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, [2006] 49 C.P.R. (4th) 401.

⁷⁵ *Id.*

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 136).⁷⁶

Even if the plaintiff had been successful in passing the first hurdle of proving linkage between its registered trademark and the defendant's store's name, it is difficult to imagine it would have been able to prove that its goodwill had appreciably been depreciated.

V. CHARTER OF RIGHTS AND FREEDOMS

Sections 1 and 2 of the Charter⁷⁷ are as follows:

1. The *Canadian Charter of Rights and Freedoms* guarantees the rights and freedoms set out in it subject only to such reasonable limits prescribed by law as can be demonstrably justified in a free and democratic society.

2. Everyone has the following fundamental freedoms:

- (a) freedom of conscience and religion;
- (b) freedom of thought, belief, opinion and expression, including freedom of the press and other media of communication;
- (c) freedom of peaceful assembly; and
- (d) freedom of association.

A trademark is a language tool by which a trademark owner communicates a message to the public, so a trademark itself is a form of expression. Tensions can arise between the right of the trademark owner to communicate a message to the public by means of the trademark, and the right of the public to express ideas as a normal consequence of living in a free society. The question is, what are the limits of the right of free expression, especially when the exercise of that right interferes with or damages a communication right of another, such as the rights of a trademark owner?

⁷⁶ *Id.*

⁷⁷ *The Constitution Act, Part I, 1982, being Schedule B to the Canada Act 1982 (UK), 1982, c.11.*

Section 22 does not provide any “free expression” exceptions such as exist in the TDRA,⁷⁸ but it is submitted that application of Section 22 should be subject to the *Charter*.

*R. v. Guignard*⁷⁹ assists in analyzing this issue. There the Supreme Court of Canada invalidated a municipal law that prohibited erecting advertising signs outside an industrial zone. The impugned by-law infringed the freedom of expression guaranteed by the *Charter* because it restricted the right of citizens to use a natural means of commercial expression. *Michelin* and *Perrier* might well have been decided differently had those cases been tried after *Guignard*.

Writing for a unanimous Court, Justice Le Bel eloquently expressed the importance of respecting the *Charter*, as follows:

This Court attaches great weight to freedom of expression. Since the Charter came into force, it has on many occasions stressed the societal importance of freedom of expression and the special place it occupies in Canadian constitutional law. . . . This freedom plays a critical role in the development of our society. It makes it possible for all individuals to express their views on any subject relating to life in society. . . . The content of that freedom, which is very broad, includes forms of expression the importance and quality of which may vary. . . . In applying s. 2(b) of the Charter, this Court has recognized the substantial value of freedom of commercial expression. The need for such expression derives from the very nature of our economic system, which is based on the existence of a free market. The orderly operation of that market depends on businesses and consumers having access to abundant and diverse information. Thus, in *Ford c. Québec* (Procureur général), [1988] 2 S.C.R. 712 (S.C.C.), at pp. 766-67, this Court rejected the argument that commercial speech was not subject to the constitutional guarantee. The decisions of this Court accordingly recognize

⁷⁸ 15 U.S.C. § 1125(c) (2006). This statute has subsequently been codified as Section 43 (c) of the Lanham Act. The exceptions are as follows: (3) The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

- (A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person’s own goods or services, including use in connection with—
 - (i) advertising or promotion that permits consumers to compare goods or services; or
 - (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.
- (B) All forms of news reporting and news commentary.
- (C) Any noncommercial use of a mark.

⁷⁹ *R. v. Guignard*, [2002] 1 S.C.R. 472.

that commercial enterprises have a constitutional right to engage in activities to inform and promote, by advertising. As we know and can attest, sometimes with mixed feelings, the ubiquitous presence of advertising is a defining characteristic of western societies. Usually, it attempts to convey a positive message to potential consumers. However, it sometimes involves comparisons and may even be negative. On the other hand, consumers also have freedom of expression. This sometimes takes the form of “counter-advertising” to criticize a product or make negative comments about the services supplied. Within limits prescribed by the legal principles relating to defamation, every consumer enjoys this right. 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 . . . [g]iven the earlier pronouncements of the Court to the effect that the rights and freedoms guaranteed in the Canadian Charter should be given a large and liberal interpretation, there is no sound basis on which commercial expression can be excluded from the protection of s. 2(b) of the *Charter*.⁸⁰

A case in point is *United Airlines, Inc. v. Cooperstock*.⁸¹ The defendant, who was self-represented at the trial, operated a gripe site under the URL “untied.com” about the plaintiff commercial airline, using graphics and logos similar to those used by the plaintiff. Justice Phelan found that the defendant’s use of variations of the plaintiff’s trademarks constituted trademark use contrary to Section 20 of the *Trademarks Act* in that such use was likely to cause confusion, and that Section 22 had been violated because the defendant’s use of the modified marks is likely to diminish the distinctiveness of the plaintiff’s trademarks. The defendant attempted to justify his conduct as an expression of freedom of speech, but *R. v. Guignard* is not referred to in Justice Phelan’s reasons. A Notice of Appeal was filed, but the case was settled, and

⁸⁰ *Id.* ¶ 19.

⁸¹ *United Airlines, Inc. v. Cooperstock*, [2017] 147 C.P.R. (4th) 251.

a broad injunction was issued on consent. The trial decision seems wrong on several counts: it is difficult to see how the defendant was using the plaintiff's trademarks as indications of source, or how a famous trademark such as UNITED AIRLINES could be diminished in distinctiveness by a gripe website such as that operated by the defendant.

There is inherent tension between the important goal of protecting valuable trademarks against brand dilution or tarnishment and protecting the public interest in freedom of expression and competition. As Justice Sachs pointed out in *Laugh It Off Promotions CC v. South African Breweries International (Finance) BV*, “[a]t the end of the day this will be an area where nuanced and proportionate balancing in a context-specific and fact-sensitive character will be decisive, and not formal classification based on bright lines.”⁸²

Lord Neuberger commented on this tension as follows:⁸³

It is hard to balance two such incommensurate, and important, rights as the enjoyment of freedom of expression and the right not to have one's valuable IP rights infringed. The first is undoubtedly a more fundamental right, but that obviously does not mean it should always prevail: otherwise copyright would not exist. However, the importance of freedom of expression means that judges should be astute to avoid the risk of routinely accepting that every statement which may or even does tarnish a well-known trade-mark should be treated as unlawful. The words of Judge Sachs are very much in point.⁸⁴

VI. HOW SHOULD THE LAW BE CHANGED?

How then should the law be changed to achieve a nuanced and proportionate balancing of the respective rights of traders and of the public?

In *Veuve Clicquot*, Justice Binnie made several references to anti-dilution law in the United States, commencing with the following comment from the *Restatement* as providing “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

⁸² *Laugh It Off Promotions*, 2006 (1) SA 144 (CC).

⁸³ Lord Neuberger, *Harold G. Fox Memorial Lecture 2015: Trade-mark Dilution and Parody*, 28 I.P.J. 1 (2015).

⁸⁴ *Laugh It Off Promotions CC v. Sabmark Int'l*, 2006 (1) SA 144 (CC).

is clear and the threat of interference is substantial. (Restatement (Third) of Unfair Competition Section 25, cmts. b (1995)).⁸⁵

Congress enacted the *TDRA*, an important part of which is as follows:

Subject to the principles of equity, the owner of a mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.⁸⁶

Some significant differences between the *TDRA* and Section 22 of the Canadian *Trademarks Act* as presently interpreted are as follows: the accused use must be use as a trademark; use of offending trade names is subject to an injunction; relief against dilution applies irrespective whether the plaintiff's trademark has been registered; relief is limited to conduct that causes blurring or tarnishment; niche fame is not enough, and mere proof of economic injury or competition is not a condition for injunctive relief.⁸⁷

There are lessons to be learned from U.S. dilution jurisprudence and experience. First, the fuzzy scope of Section 22 must be changed. In the author's view, if Section 22 is to be retained, it should be amended to restrict relief to blurring and tarnishment, and not "free riding." In the case of dilution by blurring, the plaintiff should be required to show that the accused trademark is being used as an indication of source. This is referred to in U.S. jurisprudence and scholarship as "the trademark use theory."⁸⁸ In the case of dilution by tarnishment, the fair use of parody and criticism in general should not be actionable irrespective of whether the accused trademark is used to indicate source.

In the EU, trademark rights have been expanded significantly beyond providing relief against blurring or tarnishment, for example prohibiting conduct that amounts to a defendant taking a

⁸⁵ (2006) 49 C.P.R. (4th) 401.

⁸⁶ 15 U.S.C. § 1125(c).

⁸⁷ For a comprehensive review of U.S. anti-dilution jurisprudence, see Theodore H. Davis, Jr., *International Trademark Dilution, United States Jurisprudence following enactment of the Trademark Dilution Revision Act of 2006* (Daniel Bereskin, Q.C. ed., published by Thomson Reuters with annual revisions), 2020.

⁸⁸ The trademark use theory was contradicted in an excellent article by Graeme Dinwoodie and Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 98 TMR 1086 (2008). The authors were awarded the prestigious Ladas Memorial Award for this article. In Canada, the trademark use theory has been followed implicitly for generations, without any noticeable harm to honest commerce.

“free ride” on the plaintiff’s goodwill.⁸⁹ In the author’s view, it would be wrong to accede to the Committee’s preference for substantial expansion of trademark rights so as to include taking a “free ride.”

This was well put by Lord Justice Jacob (as he then was) in *L’Oreal* as follows:

The problem, stated at its most general, is simple. Does trade mark law prevent the defendants from telling the truth? Even though their perfumes are lawful and do smell like the corresponding famous brands, does trade mark law nonetheless muzzle the defendants so that they cannot say so?

...

... My own strong predilection, free from the opinion of the ECJ, would be to hold that trade mark law did not prevent traders from making honest statements about their products where those products are themselves lawful.

I have a number of reasons for that predilection. First and most generally is that I am in favour of free speech—and most particularly where someone wishes to tell the truth. There is no good reason to dilute the predilection in cases where the speaker’s motive for telling the truth is his own commercial gain. Truth in the market place matters—even if it does not attract quite the strong emotions as the right of a journalist or politician to speak the truth.

The right to tell—and to hear—the truth has high international recognition. Art.19 of the Universal Declaration of Human Rights says “Everyone has the right to freedom of opinion and expression; this right includes freedom to . . . receive and impart information. . . .” Art.19(2) of the International Covenant on Civil and Political Rights says: “Everyone shall have the right to freedom of expression; this right shall include freedom to . . . receive and impart information. . . .” Art.10(1) of the European Convention on Human Rights says: “Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information . . .”. Art.11(1) of the Charter of the Fundamental Rights of the European Union says: “Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas. . . .”

Of course the right of free expression (which clearly applies in principle to expression for commercial purposes, see

⁸⁹ See, e.g., [2010] 23 (Eng.) *L’Oreal SA v. Bellure NV*, Case C-487/07, [2009] ECR I-5185, pp. 687-704. See also Carys J. Craig, *Perfume by Any Other Name May Smell as Sweet . . . But Who Can Say?: A Comment on L’Oreal v. Bellure*, 22 *Intell. Prop. J.* 321 (2010).

Para. 4.10.16 of *Human Rights Law and Practice*, Lester, Pannick and Herberg, 3rd Edn, and the Strasbourg court cases there cited) cannot be and is not unqualified. But any suggested rule of law which stands in the way of people telling the truth, whether the context be political, commercial or otherwise, ought to be scrutinised with care and justified only on the grounds of strict necessity.”⁹⁰

With these remarks in mind, here is what Section 22 could look like if amended in line with the author’s recommendations:

22 (1) Dilution by Blurring—Impairment of Distinctiveness

No person shall use a trademark as an indication of the source of the goods or services of such person that has caused or is likely to cause substantial harm to a registered trademark in Canada by impairing its distinctiveness regardless of actual or likely economic harm, provided (a) the registered trademark is widely recognized by the general consuming public throughout Canada as a result of extensive use in Canada, (b) the use of such trademark is linked in the mind of the general consuming public in Canada with such registered trademark, and (c) such use is not calculated to mislead the public as to the source of the associated goods or services.

22 (2) Dilution by Tarnishment—Causing Harm to Reputation, Image or Prestige

(a) No person shall use a trademark as indicator of source or otherwise that is linked in the mind of the general consuming public in Canada with a registered trademark in Canada and which is likely to substantially harm the reputation, image or prestige of the registered trademark regardless of actual or likely economic harm, provided the trademark is widely recognized by the general consuming public throughout Canada as a result of extensive use in Canada.

22 (3) Exclusions

The following shall not be actionable:

(a) Any use of a trademark that is unlikely to deceive the public as to the source of the associated goods or services irrespective whether the use of such trademark evokes the registered trademark in the mind of the general consuming public, including use in connection with:

(i) product descriptions, advertising or promotion that permits consumers to compare goods or services; or

⁹⁰ L’Oréal, [2010] R.P.C. 23 (Eng.) at 692.

- (ii) identifying and parodying, criticizing, or commenting upon the trademark owner or the goods or services of the trademark owner.
- (b) News reporting and news commentary.
- (c) Any *bona fide* noncommercial or expressive use of a mark as a trademark or otherwise.

First, in the case of dilution by blurring, it is provided in the suggested Section 22 (1) that the accused trademark must be used as a trademark. This would have the effect of overruling *Clairol*. In order to deter wily thieves from unduly emphasizing the famous trademark, it is provided that “such use is not calculated to mislead the public as to the source of the associated goods or services.” For example, if the defendants in *Clairol* had used the trademark MISS CLAIROL in such a conspicuous manner as to mislead, they would not be permitted to take the position that their use of MISS CLAIROL is not a trademark use. Suggested subsection 22 (1)(b) provides that the accused trademark or trade name must *substantially* impair the distinctiveness of the trademark. This should rule out petty insults such as exemplified in *Cooperstock*.⁹¹

It is not considered necessary to require that the protected trademark is famous, but it is probably unlikely that a trademark would qualify for protection unless it is at least well known if not famous, given the linkage requirement to the general consumer consuming public.

In the case of blurring by tarnishment, the requirement of use as a source identifier is inappropriate because harmful publications can be made via the Internet or other media that ought to be enjoined regardless of whether the use is as a source identifier. That said, the reputation, image, or prestige of the famous mark must *substantially* be harmed for liability to exist. Most marks that are entitled to protection can withstand minor affronts, so it is thought appropriate to require the degree of harm to be substantial. This is consistent with Justice Binnie’s comment in *Veuve Clicquot* that “a mental association of the two marks does not . . . necessarily give rise to a likelihood of depreciation”⁹² to the goodwill of the trademark.

Second, the linkage must extend to the general consuming public throughout Canada. This will likely cut down the scope of suggested Section 22, but is not likely to make a practical difference in many if not most cases: trademark owners will continue to enjoy the benefit of Sections 7, 19, and 20 of the *Trademarks Act*, as well as common law and civil law remedies for unfair competition. It will also make it easier for courts to determine whether Section 22 has

⁹¹ United Airlines, Inc. v. Cooperstock, [2017] 147 C.P.R. (4th) 251.

⁹² *Id.* ¶ 43.

been breached, as linkage is a question of fact that should not be too difficult to prove.

Third, the proposed Section 22 does not require proof of actual economic harm. Injunctive relief is more important to most trademark owners, and in any case proving economic harm is difficult to prove especially in relation to important trademarks that often can withstand minor abuses, let alone obtaining financial compensation from guilty parties.

Without clear limits, expansion of the scope of the present Section 22 is likely to promote unnecessary and harmful litigation as has already occurred. All too often, some trademark owners use the threat of litigation to abate conduct that is either marginally wrong, or not wrong at all.

Most trademark disputes do not result in reported decisions, and so some trademark owners, fortunately still a minority, routinely use their economic leverage to obtain concessions that the law does not or should not provide. This must be discouraged, which is why it is important to create clear boundaries relating to the scope of trademark protection and limiting trademark rights to what is commercially necessary and consistent with the public interest.

VII. CONCLUSION

Legislative reform of Section 22 is a necessity. Despite more than six decades of jurisprudence, the limits of Section 22 remain unclear. No court to date has expressed significant doubt about the correctness of Justice Thurlow's reasoning. As a result, liability under Section 22 can be found irrespective of whether the accused trademark has caused or is likely to cause dilution by blurring, irrespective of whether the accused trademark is being used as a trademark, and irrespective of whether there is proof of significant economic harm to the trademark. Conflicting judicial opinions make it difficult if not impossible for lawyers to properly advise clients. Future jurisprudence is unlikely to rectify serious deficiencies in the law that are inconsistent with the proper regulation of trademarks in Canada. The law relating to the interface between trademark use and comparative advertising should be made clear, and the law must give due regard to the vital right of the public in freedom of expression and competition. Parliament should act promptly to assure that if Section 22 is to be retained, it must be qualified by clear limits that at once provide adequate protection for well-known marks, while safeguarding the important public interest in freedoms of expression and of competition.

COMMENTARY

THE REAL LIFE OF FICTIONAL TRADEMARKS

By Lisa Pearson*



An assortment of Acme products from Warner Bros. cartoons.¹

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¹ *The Illustrated Catalog of ACME Products*, <http://acme.com/catalog/acme.html> (last visited Apr. 28, 2020).

I. INTRODUCTION

In his 1990 *New Yorker* story “Coyote v. Acme,” humorist Ian Frazier scripted the opening statement of trial counsel for the plaintiff Wile E. Coyote in a products liability suit against Acme Company, Coyote’s regular supplier “of such specialized products as itching powder, giant kites, Burmese tiger traps, anvils, and two-hundred-foot-long rubber bands” for the intended purpose of thwarting his nemesis, Roadrunner.² (For those unfamiliar with the Roadrunner cartoons, the products invariably backfired.) While there are no reported decisions in that (fictional) lawsuit, fictional brands like Acme have given rise to real legal disputes. Those disputes just more typically arise under U.S. intellectual property than product liability laws.

Entertainment and media providers have progressed well beyond the simplistic animated worlds of Saturday morning cartoons. They have created ever more complex, immersive, and interactive universes to engage audiences. The brands appearing in those universes may be real, imaginary, or a mix. In the United States, it is not uncommon for someone to launch a real product or service under a formerly fictional trademark or service mark to capitalize on the popularity of the property in which it originally appeared. Conversely, a fictional brand name in an entertainment property may bear more than a passing resemblance to an actual brand in the material world.

Consumers, intellectual property lawyers, and even judges take delight in the mind-bending implications of brands that traverse parallel universes, real and imaginary.

Welcome to the real life of fictional trademarks.

II. ART IMITATES LIFE

Countless brand impressions bombard us every day. Because branding is so ubiquitous in modern life, it makes perfect sense for the entertainment we consume to mirror the heavily branded world in which we live. We would find it hard to relate to a contemporary fictional environment in which the characters eat at restaurants called “restaurant” (except perhaps on the *Seinfeld* show), drink beer labeled “beer,” and use computer laptops devoid of any marking.

As a result, consumers are well accustomed to product placements in entertainment content. To name just a few memorable examples:

- Mars famously declined the opportunity to place M & M candies in *E.T. The Extraterrestrial*, and then watched sales

² Ian Frazier, *Coyote v. Acme*, *The New Yorker*, Feb. 26, 1990, available at <https://www.newyorker.com/magazine/1990/02/26/coyote-v-acme>.

of Hershey's recent market entry REESE'S PIECES increase 70% after their screen debut as E.T.'s favorite earth food.³

- Bill Murray, playing an aging American actor who travels to Japan to film a Suntory commercial in *Lost in Translation*, has been credited with sparking the Japanese whisky boom. At the time, many mistakenly thought the SUNTORY HIBIKI whisky his character promoted was a fictional brand.⁴
- In both the book and movie *Wild*, Cheryl Strayed gives a shout-out to REI for replacing, without question or charge, the battered hiking boots she lost midway through her arduous trek on the Pacific Crest Trail.⁵ (Even in the deepest wilderness, there is no escape from consumerism.)

Most of the time, we hardly notice the branded products in the entertainment we consume. We are so inured to them they simply blend into the props and scenery.

III. LIFE IMITATES ART

Of course, creators of fictional works not only take inspiration from the outside world. They often inspire it as well. Numerous formerly fictional marks have been pressed into service to brand actual goods and services, shattering the "fourth wall" between fiction and reality.

For example, the Holiday Inn hotel chain borrowed its name from the charming country inn in the 1942 movie *Holiday Inn*, the holiday classic starring Bing Crosby and Fred Astaire that popularized the song "White Christmas."

³ Stephanie Mansfield, *Sweet Success: Reese's Cashes in on E.T.'s Candy Cravings*, Wash. Post, July 14, 1982, available at <https://www.washingtonpost.com/archive/lifestyle/1982/07/14/sweet-success/3592f8fa-8a05-4491-b98f-d8f8e03dbd96/>.

⁴ Jason Diamond, *How Bill Murray Sparked the Japanese Whiskey Boom*, Men's Journal, Nov. 3, 2015, available at <https://www.mensjournal.com/food-drink/how-bill-murray-sparked-the-japanese-whiskey-boom-20151103/>.

⁵ Adele Chapin, *REI Gets Free Product Placement in Reese's Hiking Film*, Racked, Dec. 11, 2014, available at <https://www.racked.com/2014/12/11/7564763/rei-wild-danner-boots>.



The eponymous country inn in the 1942 movie *Holiday Inn*.⁶

Willy Wonka's WONKA candy company first appeared in Roald Dahl's 1964 children's book *Charlie and the Chocolate Factory*. Producers seeking financing for a movie adaptation approached The Quaker Oat Company, which was developing a candy line and saw a golden opportunity to release a WONKA BAR (such as the one in which Charlie found his golden ticket) as a merchandising tie-in. In exchange for funding, the movie producers licensed the new candy line and retitled the film *Willy Wonka and the Chocolate Factory* to showcase the WONKA brand.⁷ Although manufacturing problems delayed the launch of the WONKA BAR, various other confections such as SUPER SKRUNCH BARS and PEANUT BUTTER OOMPAS were released in conjunction with the movie. The WONKA BAR and other formerly imaginary candies soon followed, culminating in the use of WONKA as a brand for a variety of different candies for several decades under different owners.⁸

And proving the adage that art imitates life imitates art, *Time* magazine ran a 2016 business article on "The 18 Most Influential Fake Companies of All Time."⁹ It tells the story of The Bull and Finch Pub in Boston, which inspired the television series *Cheers* and subsequently rebranded itself under its more famous fictional name and logo. According to *Time*, the CHEERS BEACON HILL bar is

⁶ Hooked on Houses, *A Classic White Christmas in the Movie "Holiday Inn,"* Dec. 18, 2012, available at <https://hookedonhouses.net/2012/12/17/holiday-inn-movie-sets/>.

⁷ Brandchannel, *At 40, Wonka Candy Is Greatest Reverse Product Placement Ever,* May 16, 2011, available at <https://www.brandchannel.com/2011/05/16/at-40-wonka-candy-is-greatest-reverse-product-placement-ever/>.

⁸ Phil Rosenthal, *How a Chicago Company Made Gene Wilder's Most Beloved Movie Role Possible,* Chi. Trib., Aug. 30, 2016, available at <https://www.chicagotribune.com/business/ct-rosenthal-gene-wilder-willy-wonka-0831-biz-20160830-column.html>.

⁹ Alex Fitzpatrick, Lisa Eadicicco, Matt Peckham, John Patrick Pullen, Sarah Begley, and Daniel D'Addario, *The 18 Most Influential Fake Companies of All Time,* *Time*, June 2, 2016, available at <http://time.com/4351022/influential-fake-companies/>.

now “one of the city’s most popular destinations. It makes sense. You want to go where everybody knows your name.”

A. The Möbius Strip

Branding has become pervasive in our culture. The correspondent growth of the licensing industry allows trademarks to migrate more easily across product and service categories. By the same token, fictional branded products can now transmogrify more readily into actual branded products in the real world.

Consider the merchandising phenomenon of Pixar’s 1995 computer-animated movie *Toy Story*, starring a battalion of mid-century toys. Some of the toys, like Woody and Buzz Lightyear, were newly minted fictional characters created for the movie. Others, like Mr. Potato Head and Slinky the Dog, were classic playthings introduced by major toy companies some four decades earlier. (The classic toys were no doubt new to most child movie-goers, if not to the nostalgic parents or grandparents who bought their tickets.) Children of all ages can now play with both the classic and formerly fictional toys. They can also eat TOY STORY cereal endorsed by the animated toy characters for breakfast; pack their lunches in TOY STORY plastic bags; go to sleep wearing TOY STORY pajamas under TOY STORY sheets; and then wake up the next day to a whole new array of licensed TOY STORY products and experiences branded with the toys starring in the franchise.

It should come as no surprise, then, that at least one enterprising entrepreneur has formed a niche licensing company devoted to actualizing fictional brands. With tongue in cheek, Omni Consumer Products pioneered the art of so-called “reverse product placement” by bringing to market such formerly make-believe products as SEX PANTHER cologne (from *Anchorman*), TRU BLOOD “blood replacement drink” (from *True Blood*), BRAWNDO energy drink (from *Idiocracy*), and STAY PUFT marshmallows (from *Ghostbusters*).¹⁰ According to Omni’s founder, Pete Hottelet, “*Scientific American* referred to it as ‘Moebius-like-referential pop-culture-as-reality mocketing contortionism.’ Defictionalization is definitely more succinct, although maybe not as much fun to say. Basically, it’s the act of creating or identifying a brand within a narrative, and producing a physical product of the described type bearing that branding.”¹¹

¹⁰ <http://omnicustomerproductscorporation.com/> (last visited July 2, 2020).

¹¹ Rebecca Cullers, *That’s Entertainvertising*, Adweek, July 26, 2010, available at <https://www.adweek.com/creativity/thats-entertainvertising-12427/>; see also John Pavlus, *Fake product satirizing scientific illiteracy turned into real product monetizing scientific illiteracy*, Sci Am. 60-Second Sci., December 5, 2007, available at <https://web.archive.org/web/20080229121922/http://www.60secondscience.com/archive/health-news-articles-medicine-news/fake-product-satirizing-scient.php>.



STAY PUFT marshmallows,
a defictionalized product from the movie *Ghostbusters*.¹²

B. “Proto-Brands”

For popular culture geeks, ferreting out defictionalized brands is an enjoyable pastime. Even *Bloomberg News* and the *HuffPost* have played the game.¹³ Nor are academics immune to its charm. In their article “Branding in Fictional and Virtual Environments: Introducing a New Conceptual Domain and Research Agenda,” Laurent Muzellec, Theodore Lynn, and Mary Lambkin provide a typology of the crossover of real brands into virtual worlds and virtual brands into the real world, as depicted below.¹⁴ They also introduce the term “proto-brand” to refer to “virtual brands in computer-synthesized or fictional worlds” that have yet to be actualized in the real world:¹⁵

<https://web.archive.org/web/20080229121922/http://www.60secondscience.com/archive/health-news-articles-medicine-news/fake-product-satirizing-scient.php>.

¹² Fandom.com, *Stay Puft Marshmallows (Omni Consumer Products)*, [https://ghostbusters.fandom.com/wiki/Stay_Puft_Marshmallows_\(Omni_Consumer_Products\)](https://ghostbusters.fandom.com/wiki/Stay_Puft_Marshmallows_(Omni_Consumer_Products)) (last visited May 18, 2020).

¹³ *Fictional Brands That Crossed Over to Reality*, Bloomberg, Apr. 18, 2012, available at <https://www.bloomberg.com/news/photo-essays/2012-04-18/fictional-brands-that-crossed-over-to-reality>; James Sunshine, *12 Fictional Products That You Can Now Actually Buy*, HuffPost, Aug. 10, 2012, available at https://www.huffpost.com/entry/fictional-products-real_n_1764290?slideshow=true#gallery/5bb2cdb3e4b0480ca65c6481/11).

¹⁴ Laurent Muzellec, Theodore Lynn, Mary Lambkin, *Branding in fictional and virtual environments: Introducing a new conceptual domain and research agenda*, 46 Eur. J. Mktg. 811, 816 (2012), available at https://www.academia.edu/1461042/Branding_In_Fictional_And_Virtual_Environments_Introducing_A_New_Conceptual_Domain_And_Research_Agenda.

¹⁵ *Id.* at 816.

Virtual World /	Real brands in computer-synthesized or fictional worlds (Product Placement) A	Virtual brands in computer-synthesized or fictional worlds (Proto-Brands) B
	Real World	Real Brands /
	Real brands in the real world (Most brands as we experience them) C	Virtual brands in the real worlds (Reverse Brand Placement) D

“Typology of brands in real and virtual worlds” from
 “Branding in Fictional and Virtual Environments:
 Introducing a New Conceptual Domain and Research Agenda.”¹⁶

As a quintessential example of a proto-brand, the authors point to DUFF beer, Homer Simpson’s beverage of choice on *The Simpsons* television series.¹⁷ Due to concern that it would encourage underage drinking, Twentieth Century Fox chose not to sell DUFF beer and so it remained a proto-brand—a virtual brand in a virtual world—that is, until brand highjackers around the world started offering their own unauthorized DUFF beers to fill the void.¹⁸



Homer Simpson enjoying his favorite brew.¹⁹

¹⁶ *Id.*
¹⁷ *See id.* at 820-21.
¹⁸ *Id.* at 820.
¹⁹ Tom Acitelli, *That Wonderful Duff Beer Turns 25*, All About Beer Mag., June 4, 2015, available at <http://allaboutbeer.com/that-wonderful-duff-beer-turns-25/>.

In the United States, where trademark rights typically flow from use in commerce on or in connection with specific goods or services as opposed to registration, is it possible to protect and enforce a proto-brand that exists only in a fictional world? After engaging in several legal battles raising variants of that issue overseas,²⁰ Twentieth Century Fox resorted to self-help. It sidestepped legal skirmishes in the United States by introducing an authorized DUFF beer (in limited theme park locations) and DUFF energy drinks (to a broader market). It also secured several U.S. trademark registrations based on those uses to protect the DUFF brand.²¹

As a matter of common sense, and public policy, it should not be necessary for a brand owner to be forced to create real products in order to protect the commercial magnetism of a fictional brand—particularly a fictional brand the owner may prefer not to commercialize for good reason (such as DUFF beer or ACME weapons). The unauthorized party exploiting the protobrand typically does so to capitalize on the popularity of the property in which it appears, and so has misappropriated something of value. Further, the public may well be confused as to the source of the goods or services bearing the formerly fictional mark, and the reputation and good will of the owner of the work in which it appears may well be harmed by the unauthorized use, as to which it exercises no quality control.

IV. POSSIBLE CAUSES OF ACTION FOR PROTECTING FICTIONAL MARKS

In the United States, there are at least three potentially viable legal theories to redress unauthorized exploitation of a fictional mark: copyright infringement, trademark infringement under the Lanham Act, and common-law trademark infringement or unfair competition.

A. Copyright Infringement

Unauthorized use of a fictional brand name *per se* does not amount to infringement under U.S. copyright law, but unauthorized users capitalizing on the popularity of a fictional work typically borrow much more. The U.S. Copyright Office succinctly summarizes the applicable principles: “Copyright does not protect names, titles, slogans, or short phrases. . . . However, copyright protection may be available for logo artwork that contains sufficient

²⁰ See, e.g., Twentieth Century Fox Film Corp. v. South Australian Brewing Co., [1996] 66 FCR 451 (Austl.).

²¹ See, e.g., DUFF, Registration No. 4,566,718; DUFF BEER, Registration No. 4,570,986.

authorship.”²² Copyright protection may also be available for the artwork or any blocks of text appearing on real or fictional product packaging.

In the DUFF beer example, Twentieth Century Fox (the owner of the copyright in *The Simpsons* television series) would not have a viable U.S. copyright claim against a third party who, without authorization, merely launched a beer product under the name DUFF. If that third party also copied the artwork from the series featuring DUFF beer (e.g., the bottle label or can design), a copyright infringement claim would lie provided the copyright owner could prove substantial similarity of protectable expression. Similarly, an unauthorized use of the STAY-PUFT marshmallow man or packaging from *Ghostbusters* might well infringe copyright-protected content. Because the elements of copyright infringement differ from those of trademark infringement or unfair competition, it may well be the easiest of the three causes of action to prove on the facts of a given case. Neither use in commerce nor likelihood of confusion is an element of a copyright infringement claim.

B. Trademark Infringement

Section 32 of the Lanham Act, the U.S. federal trademark statute, prohibits use of a registered mark on or in connection with goods or services in a manner “likely to cause confusion, or to cause mistake, or to deceive.”²³ The statute defines a trademark as “any word, name, symbol, or device, or any combination thereof— (1) *used by a person*, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register . . . *to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the source of the goods.*”²⁴ With the limited exception of applications based upon a foreign registration,²⁵ an applicant cannot obtain a U.S. registration until the mark is actually used in commerce on the goods or services covered by the application.

As a practical matter, the creator or other owner of the rights in a work of fiction will probably not be able to secure a federal trademark registration for a fictional mark until it is used in the real world. Section 32 of the Lanham Act is therefore not a promising theory for protecting a proto-brand, which by definition has not yet been actualized as a commercially available product or

²² *What Does Copyright Protect?* U.S. Copyright Office, <https://www.copyright.gov/help/faq/faq-protect.html> (last visited Apr. 3, 2020).

²³ 15 U.S.C. § 1114.

²⁴ 15 U.S.C. § 1127 (emphasis added).

²⁵ 15 U.S.C. § 1126(e) (“The application must state the applicant’s bona fide intention to use the mark in commerce, but use in commerce shall not be required prior to registration.”); 37 C.F.R. § 2.34(a)(3).

service. In the DUFF beer example, a Section 32 claim for trademark infringement was not available until Twentieth Century Fox obtained federal registrations based on its use of the mark for beer and energy drinks.

In short, until the mark owner obtains a federal registration based on use and its “reverse product placement” is a *fait accompli*, it is exceedingly unlikely that trademark infringement under Section 32 will be a viable legal theory to protect a proto-brand that only exists in a virtual world.

C. Common-Law Trademark Infringement or Unfair Competition

The stringent requirements of Section 32 of the Lanham Act are not, however, an insurmountable obstacle as long as the proto-brand is closely identified with the fictional work in which it appears. The more versatile trademark theories for protecting a proto-brand are common-law trademark infringement or unfair competition under Section 43(a)(1) of the Lanham Act and applicable state law. Section 43(a)(1)(A) provides:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . .

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

U.S. federal courts, particularly those sitting in the entertainment capital of New York, have long held that the “ingredients” of an entertainment property qualify for trademark protection when they have come to symbolize in the public’s mind the entertainment property in which they appear or its source. For example, in *Warner Bros. Inc. v. Gay Toys, Inc.*,²⁶ the U.S. Court of Appeals for the Second Circuit held protectable as a source identifier a car that essentially functioned as a recurring character in the popular television series *The Dukes of Hazzard*. The car in question was the General Lee, an orange 1969 Dodge Charger customized

²⁶ *Warner Bros., Inc. v. Gay Toys, Inc.*, 658 F.2d 76 (2d Cir. 1981) (reversing denial of preliminary injunction), *aff’d after entry of permanent injunction*, 724 F.2d 327 (2d Cir. 1983).

with a Confederate flag painted on the roof and the numbers “01” painted on each of the two side doors.



The General Lee, automotive star of *The Dukes of Hazzard*.²⁷

Warner Bros. built a compelling factual record in the lower court to support its motion for preliminary injunctive relief to stop the sale of “Dixie Racer” toy replicas of the General Lee by Gay Toys. It introduced evidence establishing the extensive use of the General Lee in the series; its own *Dukes of Hazzard* licensing program and industry practice of licensing elements of television shows more generally; its prior refusal to grant the defendant a toy license; and Gay Toys’ comparatively lackluster sales of a 1969 Dodge Charger replica without the same customization.²⁸ Warner Bros. also introduced a survey showing “that eight out of ten children respond immediately to the ‘Dixie Racer’ as the ‘General Lee’ or as ‘The Dukes of Hazzard Car’” as well as evidence that retailers sold the “Dixie Racer” as “The Dukes of Hazzard Car.”²⁹ The district court nevertheless refused to enter a preliminary injunction on the ground that Warner Bros. was not in the business of manufacturing toy cars and would not be perceived as the source of the “Dixie Racer.”

On appeal, the Second Circuit had little hesitation in reversing, holding that Section 43(a) of the Lanham Act protects “the specific

²⁷ Title screen from *The Dukes of Hazzard*, Wikipedia, https://en.wikipedia.org/wiki/The_Dukes_of_Hazzard#/media/File:Dukes_of_Hazzard.jpg (last visited June 12, 2020).

²⁸ *Warner Bros.*, 658 F.2d at 78.

²⁹ *Id.* at 78-79.

ingredients of a successful T.V. series,” and finding that Gay Toys deliberately used the General Lee symbols to mislead consumers as to the sponsorship of its Dixie Racers.³⁰ It subsequently affirmed the entry of summary judgment for Warner Bros. and a permanent injunction against Gay Toys on the same reasoning.³¹ (Warner Bros. ceased licensing the General Lee replica cars in 2015 due to the American public’s rising intolerance for the Confederate flag and other perceived symbols of racism.³²)

The General Lee was not a fictional brand as we have defined it for purposes of this article. It was essentially a product placement of a branded DODGE CHARGER vehicle, distinctively customized. Yet this and similar cases establish the key foundational proposition that ingredients of fictional universes warrant trademark protection when the public recognizes them as symbols of a specific entertainment property.

V. REAL COURT CASES PROTECTING FICTIONAL MARKS

Based on such precedents, no interdimensional travel is required to stop the unauthorized use of a fictional mark under U.S. trademark law on the right set of facts, as confirmed by the following real court cases. As usual, Superman forged the way.

Even before the U.S. courts had fully embraced the concept that “ingredients” of an entertainment property can be protected if they function as source identifiers, DC Comics obtained a preliminary injunction blocking publisher Jerry Powers from using the name *Daily Planet* for a real world newspaper in *DC Comics, Inc. v. Powers*.³³ The *Daily Planet* is, of course, the name of the fictional newspaper employing Clark Kent, Lois Lane, and Jimmy Olsen in DC’s *Superman* comics.

³⁰ *Id.* at 78.

³¹ *Warner Bros.*, 724 F.2d at 332-34.

³² *Warner Bros. Will Stop Licensing ‘Dukes of Hazzard’ Confederate Flag Car*, Hollywood Rep., June 24, 2015, available at <https://www.hollywoodreporter.com/news/dukes-hazzard-car-warner-brothers-804766>.

³³ *DC Comics, Inc. v. Powers*, 465 F. Supp. 843, 850 (S.D.N.Y. 1978).



The *Daily Planet* newspaper, employer of mild-mannered reporter Clark Kent.³⁴

The court found that the *Daily Planet* had played a key role in both the Superman story and the development of the Superman character since 1940; that DC Comics had invested significant effort and expense to offer “a myriad of products born of the Superman story”; and that many of these products featured the *Daily Planet*.³⁵ It concluded that DC Comics had “demonstrated an association of such duration and consistency with” the *Daily Planet* “to establish a common law trademark therein.”³⁶ Since the *Daily Planet* had become so inextricably woven into the fabric of the Superman story, “any use thereof by defendants would create a substantial likelihood of confusion at the consumer level.”³⁷

More recently, in *Viacom International Inc. v. IJR Capital Investments, LLC*, Viacom prevailed on its common-law trademark infringement and unfair competition claims against an alleged infringer of the mark THE KRUSTY KRAB, the name of a fictional restaurant in the animated television series *SpongeBob SquarePants*.³⁸ The U.S. Court of Appeals for the Fifth Circuit described the unlikely premise of the highly successful show as follows: “The show revolves around SpongeBob SquarePants, a sea sponge that wears square shorts, lives in an underwater pineapple, and works at the fictional The Krusty Krab restaurant as a fry cook with an array of characters including a cranky co-worker and the

³⁴ Tim Beedle, *Daily Planet: Why Dooming Superman May Be the Best Thing For Him*, May 29, 2014, available at <https://www.dccomics.com/blog/2014/05/29/daily-planet-why-dooming-superman-may-be-the-best-thing-for-him>.

³⁵ *D.C. Comics*, 465 F. Supp. at 847.

³⁶ *Id.*

³⁷ *Id.* at 848-49.

³⁸ *Viacom Int'l Inc. v. IJR Capital Invs., LLC*, 242 F. Supp. 3d 563 (S.D. Tex. 2017), *aff'd* 891 F.3d 178 (5th Cir. 2018).

owner of The Krusty Krab.”³⁹ Possibly even more far-fetched, the decision notes this cartoon series had over 73 million viewers in a recent quarter, one-third of whom were 18 or older.⁴⁰



Screenshot of The Krusty Krab restaurant from *Sponge Bob Squarepants*.⁴¹

The defendant sought to use THE KRUSTY KRAB as the name for an actual restaurant and had applied to register the mark for restaurant services. Although Viacom had neither used nor applied to register THE KRUSTY KRAB as a mark for restaurant services, it successfully enforced its fictional restaurant service mark, winning the case on summary judgment.⁴²

As a threshold matter, the trial court considered whether Viacom had established common-law trademark rights in THE KRUSTY KRAB through use. Punting on the question of whether THE KRUSTY KRAB is an inherently distinctive mark, it considered whether the mark had acquired secondary meaning as a source identifier by analyzing the seven-factor test adopted by the Fifth Circuit, which looks to “(1) length and manner of use of the mark or trade dress, (2) volume of sales, (3) amount and manner of advertising, (4) nature of use of the mark or trade dress in newspapers and magazines, (5) consumer-survey evidence, (6) direct consumer testimony, and (7) the defendant’s intent in copying the [mark].”⁴³ The court was persuaded by Viacom’s robust factual showing, including proof of Viacom’s use of THE KRUSTY KRAB as

³⁹ 891 F.3d at 183.

⁴⁰ *Id.*

⁴¹ “Krusty Krab,” Wikipedia, https://en.wikipedia.org/wiki/Krusty_Krab (last visited June 12, 2020).

⁴² *Viacom Int’l*, 242 F. Supp. 3d at 576.

⁴³ *Id.* at 570.

a key element of *SpongeBob SquarePants* since 1999; the appearance of THE KRUSTY KRAB restaurant in 166 of 203 aired television episodes and two feature films; the hundreds of millions of dollars in gross receipts and advertising expenditures for the films; the approximately one billion page views for *nick.com*, the official site for the series; and print and Internet advertisements for THE KRUSTY KRAB licensed consumer merchandise.⁴⁴

After concluding that Viacom owned common-law trademark rights in THE KRUSTY KRAB, the court then assessed likelihood of confusion. Here, in addition to the evidence establishing the strength of the mark based on Viacom's extensive use of THE KRUSTY KRAB mark, as well as the identical spelling and pronunciation of the two marks at issue, Viacom established two particularly compelling facts to counter the defense argument that it had never used THE KRUSTY KRAB as a mark for restaurant services in United States commerce (as opposed to the fictional undersea world of *SpongeBob SquarePants*).⁴⁵ First, not only had Viacom licensed the mark for other purposes, but its parent company had previously licensed its marks for restaurants, including Bubba Gump Shrimp Co., a seafood restaurant chain inspired by the 1994 film *Forrest Gump*.⁴⁶ Second, Viacom introduced consumer survey results indicating that thirty percent of respondents identified Viacom as the entity operating, approving, or sponsoring a restaurant named The Krusty Krab.⁴⁷ Even without evidence of bad-faith intent by the defendant (a factually intensive issue difficult to establish on a summary judgment motion), the court found that the defendant, by undertaking preparations to launch a restaurant under the name and applying to register KRUSTY KRAB, had committed common-law trademark infringement and unfair competition as a matter of law. That judgment was affirmed on appeal.⁴⁸

In a nutshell, U.S. courts do not consider trademark protection of a fictional mark a legal conundrum. They recognize that even if the fictional mark is not used in commerce in the real world on the goods or services it identifies in its fictional universe, it may nevertheless be entitled to protection as a mark signifying the source of the property in which it appears. The fictional mark functions as an actual mark, albeit for entertainment services

⁴⁴ *Id.* at 566, 568-70. According to the complaint in that proceeding, Viacom had licensed toy KRUSTY KRAB playsets, cake decorations, aquarium ornaments, magnet sets, costumes, a videogame, books, and apparel. *Viacom Int'l Inc. v. IJR Capital Invs.*, 4:16-cv-00257, ECF Doc. 1 (S.D. Tex., filed Jan. 29, 2016).

⁴⁵ *Id.* at 571.

⁴⁶ *Id.*

⁴⁷ *Id.* at 572.

⁴⁸ *Viacom Int'l*, 891 F.3d at 198.

rather than the fictional goods or services it identifies in its original context.

VI. REAL COURT CASES PROTECTING FICTIONAL GENERIC TERMS

U.S. courts have applied the same reasoning to transmute generic terms in entertainment properties into trademarks, notwithstanding the basic trademark law principle that a generic term can never serve as a protectable mark for the goods or services it identifies.⁴⁹ “Kryptonite,” in the Superman universe, is an alien mineral capable of deactivating Superman’s superpowers. The names of existing minerals are typically generic terms, and generic terms are typically incapable of achieving trademark status for the goods or services they identify. Nevertheless, in *DC Comics v. Kryptonite Corp.*,⁵⁰ the court held that DC Comics owned protectable trademark rights in the coined mineral name: “As a result of broad dissemination throughout all media, the fictional element Kryptonite, including its graphic depiction, has come to be recognized as a powerful symbol, and is immediately recognized or associated with the character Superman. As such, Kryptonite also serves to identify the entertainment and other goods and services created, distributed and/or licensed by or on behalf of DC Comics.”⁵¹

In *Lucasfilm Ltd. LLC v. Ren Ventures Ltd.*,⁵² the well-known production company behind the STAR WARS franchise sued for both trademark and copyright infringement to enjoin the marketing and sale of the unauthorized mobile game app “Sabacc – The High Stakes Card Game.” In the STAR WARS movie universe, Sabacc is the generic term for a popular card game.⁵³ The court denied the defendant’s motion to dismiss, accepting Lucasfilm’s argument that SABACC effectively functions as a real-world trademark despite its use as a generic term in its fictional universe. The court observed: “According to defendants, fictional goods do not exist and thus cannot be placed in commerce—hence the name of the good is not a source identifier for a product that can be distinguished in commerce. . . . Lucasfilm does not claim ownership of the ‘Sabacc’ mark as a source identifier for a fictional card game product. Rather,

⁴⁹ *Abercrombie & Fitch Co. v. Hunting World*, 537 F.2d 4, 9 (2d Cir. 1976) (“[N]o matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise and what success it has achieved in securing public identification, it cannot deprive competing manufacturers of the product of the right to call an article by its name.”) (citations omitted).

⁵⁰ *DC Comics v. Kryptonite Corp.*, 336 F. Supp. 2d 324 (S.D.N.Y. 2004).

⁵¹ *Id.* at 332-33.

⁵² *Lucasfilm Ltd. LLC v. Ren Ventures Ltd.*, 126 U.S.P.Q.2d 1515 (N.D. Cal. 2018).

⁵³ *Sabacc*, StarWars.com, <https://www.starwars.com/databank/sabacc> (last visited May 6, 2020).

‘Sabacc’ functions as a mark for Lucasfilm and the Star Wars franchise, which are real entities that exist in commerce.”⁵⁴ Lucasfilm subsequently obtained summary judgment on its copyright claim (because the app developers liberally used other elements of the *Star Wars* works as well as the name of the card game).⁵⁵ The case ultimately settled with the entry of a consent judgment enjoining the use.⁵⁶

With respect to both KRYPTONITE and SABACC, the coined term at issue was generic in fiction but fanciful in fact. The more arbitrary, unique, and distinctive the fictional “ingredient,” the easier it will be to protect it.

VII. REAL COURT CASES HOLDING FICTIONAL MARKS DO NOT INFRINGE REAL WORLD MARKS

Ironically, in several cases involving the alleged infringement of a real-world mark by a fictional one, the plaintiff trademark owners have not fared nearly as well. U.S. courts frequently conclude that there is no likelihood of confusion based, at least in part, on the dissimilarity between the parties’ actual goods and services. In *Fortres Grand Corp. v. Warner Bros. Entertainment Inc.*, in which the plaintiff claimed infringement of its CLEAN SLATE security software program by use of “the clean slate” for a fictional computer program in the movie *The Dark Knight Rises*, the Seventh Circuit observed:

There is little authority on how to treat the ‘similarity of the products’ factor when one of them is fictional . . . , but what few cases have confronted the issue have considered the likelihood of confusion between the senior user’s product and the junior user’s creative work—not any fictional product therein.⁵⁷

The court cited, and followed, *Davis v. Walt Disney Co.*⁵⁸ and *Ocean Bio-Chem, Inc. v. Turner Network Television, Inc.*,⁵⁹ holding that,

⁵⁴ *Lucasfilm*, at 1518.

⁵⁵ *Lucasfilm Ltd. LLC v. Ren Ventures Ltd.*, No. 17-cv-07249-RS, 2018 WL 5310831 (N.D. Cal. June 29, 2018).

⁵⁶ Stipulated Consent Judgment and Permanent Injunction, N.D. Cal. Case No. 17-cv-07249, dkt. entry no. 89, filed Sept. 17, 2018.

⁵⁷ *Fortres Grand Corp. v. Warner Bros. Entm’t Inc.*, 763 F.3d 696, 702 (7th Cir. 2014).

⁵⁸ 430 F.3d 901, 904 (8th Cir. 2005). The plaintiff there claimed infringement of his EARTH PROTECTOR mark for environmental advocacy information and services by the Disney film *Up, Up, and Away*, which featured a fictional company called “Earth Protectors” as a villain; the appellate court affirmed the grant of summary judgment for Disney. 430 F.3d at 902.

⁵⁹ 741 F. Supp. 1546, 1557 (S.D. Fla. 1990). The plaintiff claimed that its STAR BRITE mark for marine and automotive cleaners and polishes was infringed by TNT’s television movie *Incident at Dark River*, in which the protagonist’s daughter was killed by toxic waste dumped into the local river by a fictional company named “Starbrite Batteries.”

for purposes of evaluating the similarity of the parties' goods and services, the proper comparison was not between the allegedly infringing product and the fictional branded product, but between the allegedly infringing product and the movie in which the fictional product appeared.⁶⁰

Moreover, in a controversial decision involving the use of the mark EMPIRE for the senior user's real-world hip-hop music label and the junior user's fictional hip-hop music label on the popular Fox television show of the same name, the U.S. Court of Appeals for the Ninth Circuit held that the usual likelihood-of-confusion test does not apply when the allegedly infringing use is in an expressive work due to First Amendment concerns.⁶¹ In the context of an expressive work, according to the Ninth Circuit, the use of a mark will not violate the Lanham Act unless it "has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the [use] explicitly misleads as to the source or the content of the work."⁶² The decision significantly expands a more limited rule announced by the Second Circuit in *Rogers v. Grimaldi*,⁶³ involving the title of Federico Fellini's art film *Ginger and Fred*, by applying it to a fictional brand used in a commercial television series for the same goods and services offered by the senior user, and to associated advertising, promotional, and merchandising activities in the real world (including, for example, live musical performances, radio play, and soundtrack albums) identical or closely related to the senior user's goods and services.⁶⁴

It remains to be seen whether the Ninth Circuit's heightened standard will stick and provide a safe harbor for uses of marks in expressive works. In the meantime, suffice it to say that it may well be harder to prove that a fictional mark in an expressive work infringes an actual mark used in the real world than the reverse.

The trial court denied Ocean's motion for preliminary injunction and granted summary judgment to TNT, finding no likelihood of confusion.

⁶⁰ *Fortres Grand Corp.*, 763 F.3d at 702.

⁶¹ *Twentieth Century Fox Television v. Empire Distrib., Inc.*, 875 F.3d 1192 (9th Cir. 2017) (quoting *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 902 (9th Cir. 2002), and *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989)).

⁶² *Id.* at 1196.

⁶³ *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989).

⁶⁴ *Twentieth Century Fox Television*, 875 F.3d at 1196-97 ("[I]t requires only a minor logical extension of the reasoning of *Rogers* to hold that works protected under its test may be advertised and marketed by name, and we so hold."). For a representative critique of the decision, see Laura Goldbard George and Binni Shah, *The First Amendment: Apparent Immunity from Trademark Infringement?*, 31 *Intell. Prop. & Tech. Law J.* 1 (Feb. 2019).

VIII. THE DRAWING POWER OF FICTIONAL MARKS

The Supreme Court case *Mishawaka Rubber & Woolen Manufacturing Co. v. S.S. Kresge Co.*,⁶⁵ decided in 1942, before the enactment of the Lanham Act, involved the real-world infringement of a real-world registered trademark consisting of a circular red plug embedded in the center of a shoe heel. While such a hoary precedent anchored in such an earthbound set of facts hardly seems applicable to fictional marks, Justice Frankfurter's prescient and well-written decision provides the underlying trademark law rationale for protecting fictional marks in appropriate cases, and so supplies an excellent framework for building such a case:

The protection of trade-marks is the law's recognition of the psychological function of symbols. . . . A trade-mark is a merchandising shortcut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.⁶⁶

In the decided cases protecting proto-brands (those fictional marks that have not been used in commerce on the actual goods or services they identify in their virtual worlds), the courts have quite properly given great weight to evidence of record establishing:

- the commercial magnetism of the fictional mark, including its prominence in the fictional world, its use in marketing materials for the work in which it appears, and any authorized merchandise bearing the fictional mark (albeit for different goods or services from those it brands in its fictional world);
- actual confusion, including consumer surveys;
- examples of other fictional brands that have bridged the gap between the parties' respective goods or services; and, most importantly,
- the alleged infringer's bad faith.

⁶⁵ *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203 (1942), quoted in the seminal fictional marks case *DC Comics, Inc. v. Powers*, 465 F. Supp. 843, 846 (S.D.N.Y. 1978).

⁶⁶ *Mishawaka Rubber & Woolen Mfg. Co.*, 316 at 205.

These are the fundamental building blocks for a successful case.

Not every fictional mark will qualify as a protectable mark in the real world, because not every fictional mark has been imbued with “the drawing power of a congenial symbol” that leads the public to want “the commodity upon which it appears.”⁶⁷ Yet in situations where the fictional mark has achieved that “drawing power,” and particularly where an unauthorized user seeks to exploit the “commercial magnetism” of the fictional mark, the owner of the fictional mark may well have a real mark, and real remedies against its infringement.

⁶⁷ *Id.*

COMMENTARY

INTENT TO USE, OVERLY BROAD TRADEMARK PROTECTION, AND COMMERCIAL LOGIC: IS SKYKICK REALLY A “BIG WIN” FOR BRAND OWNERS?

*By Dr. Martin Viefhues**

I. INTRODUCTION

On January 29, 2020, the Court of Justice of the European Union (“CJEU” or the “Court”) delivered its eagerly awaited judgment in the *SkyKick* case.¹ It addresses the issue of whether a trademark registration can be invalidated on the grounds that the specification of goods and services is contrary to public policy or because the application was made in bad faith. Some consider this judgment to be a “big win for brand owners,”² and the decision has already been called the “biggest EU trademark ruling of the year.”³ It is, however, not as clear as it appears. Although the CJEU ruling makes a statement on public policy, it misses the practical problem at issue. And with respect to bad faith, the ruling, while addressing the problem, remains too general to solve it.

II. THE SKYKICK CASE

In a dispute before the High Court of Justice in London,⁴ Sky Plc., Sky International AG, and Sky UK Limited, affiliates of the UK television broadcaster Sky Ltd. (collectively “Sky”), sued cloud management software companies SkyKick UK Ltd. and SkyKick Inc. (collectively “SkyKick”), alleging that their use of the SKYKICK mark infringed its UK and EU trademarks for the SKY mark, which

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¹ Decision of January 29, 2020, Case C-371/18—Sky v. SkyKick.

² See, e.g., Rory O’Neill, *Breaking: SkyKick ruling a ‘big win’ for brand owners*, WIPR (Jan. 29, 2020), <https://www.worldipreview.com/news/breaking-skykick-ruling-a-big-win-for-brand-owners-19251>.

³ Rory O’Neill, *Could Brexit force an early SkyKick clarification?*, WIPR (Jan. 31, 2020), <https://www.worldipreview.com/news/could-brexit-force-an-early-skykick-clarification-19264>.

⁴ Decision of February 6, 2018, Case [2018] EWHC 155 (Ch)—Sky v. SkyKick, <https://www.bailii.org/ew/cases/EWHC/Ch/2018/155.html>.

claimed downloadable software and other services. SkyKick counterclaimed that Sky's marks were invalid due to lack of clarity and precision of the specification of goods and services. Such clarity and precision of the specification had been required by the CJEU in the *IP Translator* decision of June 19, 2002,⁵ in order to enable the competent authorities and economic operators, on that basis alone, to determine the extent of the protection sought. SkyKick considered that Sky's marks did not comply with this requirement, as they contained a number of broad terms such as "computer software." Further, SkyKick claimed that Sky's marks had been applied for in bad faith, as the specifications contained goods and services that were remote from the business activities of the Sky group, raising doubts as to Sky's intention to use them.

The High Court of Justice asked the CJEU for clarification as to several questions,⁶ *inter alia*:⁷

- Whether a trademark may be declared invalid on the grounds that some or all of the terms in the specification of goods and services lack sufficient clarity and precision to determine the extent of the protection conferred by the trademark;
- If so, whether a term such as "computer software" is too general and covers goods that are too variable, such that the term is not sufficiently clear and precise such that one cannot determine, on the basis of those terms alone, the extent of protection conferred by the trademark;
- Whether applying to register a trademark without any intention to use it in relation to the specified goods or services constitutes "bad faith"; and
- Whether it is possible to conclude that a trademark application has been made partially in good faith and partially in bad faith.

A. The Advocate General's Opinion

When the Advocate General of the CJEU rendered his opinion on October 16, 2019,⁸ many trademark owners became concerned that the CJEU's decision, if following the Advocate General's opinion, could make many trademarks in the EU vulnerable to invalidation.

⁵ Case C-307/10—Chartered Institute of Patent Attorneys v. Registrar of Trade Marks.

⁶ Decision of February 6, 2018, Case [2018] EWHC 155 (Ch)—Sky v. SkyKick.

⁷ Another question relating to the compatibility of UK law with EU law was asked but is not addressed in this article, as it does not go to the core of the EU law situation.

⁸ Opinion of Advocate General Tanchev of October 16, 2019, Case C-371/18—Sky v. SkyKick.

1. Lacking Clarity and Precision as a Matter of Public Policy

The Advocate General stated that there was no provision in the relevant legislation for the invalidity of a registered trademark on the ground that terms in the specification of goods or services lacked sufficient clarity and precision⁹ but that it was also possible to infer from the case law that a trademark that did not satisfy the requirement of clarity and precision infringed public order.¹⁰ To such extent, the Advocate General agreed with the referring court “that the registration of a trademark for ‘computer software’ is unjustified and contrary to the public interest.”¹¹

2. Lacking Intent to Use as a Matter of Bad Faith

The Advocate General further opined that at least under certain circumstances, applying for registration of a trademark without any intention to use it may constitute bad faith, as it appeared to be an abuse of the trademark system¹² if the applicant was improperly seeking a monopoly to exclude potential competitors from using a sign that the applicant had no intention of using.¹³

The Advocate General considered that a broad specification of goods or services was not sufficient in itself to demonstrate bad faith but could constitute bad faith if the applicant had no reasonable commercial rationale for seeking such protection in light of the applicant’s use or intended use of the trademark.¹⁴

As it is common practice in the EU to file trademark applications that include broad general terms and a high number of goods and services, many of which may not be related to the applicant’s business at the time of filing the trademark application, this opinion, if followed by the CJEU, would have likely put many trademarks at risk of being invalidated.

B. The CJEU Decision

Regarding the clarity and precision of goods and services, the CJEU held¹⁵ that a trademark could not be declared invalid on the grounds that terms used in the specification of goods and services lacked clarity and precision because such a lack of clarity and precision was not listed as a ground for invalidity in the EUTM

⁹ *Id.* § 39.

¹⁰ *Id.* § 61.

¹¹ *Id.* § 79.

¹² *Id.* § 109.

¹³ *Id.* § 114.

¹⁴ *Id.* § 109.

¹⁵ Decision of January 29, 2020, Case C-371/18, §§ 57-60—Sky v. SkyKick.

Regulation¹⁶ or Trademark Directive,¹⁷ and that the list of grounds for invalidity was exhaustive. It also held that a lack of clarity and precision of the goods or services could not be considered being contrary to public policy, as the concept of public policy could not be construed as relating to characteristics concerning the trademark itself, such as the clarity and precision of the terms used in the specification of goods and services.¹⁸ However, as the CJEU added, trademarks may be revoked to the extent that they have not been genuinely used within a continuous period of five years from registration so that trademark protection for goods or services that lacked in clarity and precision may be “invalidated” in this way.

Regarding the intention to use a trademark, the court held, as it already had in *Koton v. EUIPO*, that a trademark application made without the intention to use the trademark in relation to the goods and services covered constituted bad faith if there were objective, relevant, and consistent indicia showing that, when the application for a trademark was filed, the applicant had the intention either of undermining the interests of third parties or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trademark.¹⁹

In fact, in the CJEU’s decision in *Koton*, the Court appeared to begin shifting toward the Advocate General’s position in that it stated that the specification of goods and services required some kind of justification by the actual or intended use of the trademark.²⁰ Even though this decision considered a trademark application made with the intention to undermine the interests of a specific third party, the CJEU stated already in this decision that the term “bad faith” was to be interpreted in the context of trademark law, namely the course of trade,²¹ and that a lack of intention to use the trademark constituted bad faith also if it followed from relevant and consistent indicia that the applicant had the intention of obtaining, *without even targeting a specific third party*, an exclusive right for purposes

¹⁶ Council Regulation (EC) No. 40/94 of December 2, 1993, on the Community trade mark (amended by Council Regulation (EC) No. 1891/2006 of December 18, 2006), as replaced by Council Regulation (EC) No. 207/2009 of February 26, 2009 (amended by Regulation (EU) 2015/2424 of the European Parliament and of the Council of December 16, 2015) as replaced by Regulation (EU) 2017/1001 of the European Parliament and of the Council of June 14, 2017.

¹⁷ First Council Directive 89/104/EEC of December 21, 1988, to approximate the laws of the Member States relating to trade marks, as replaced by Directive 2008/95/EC of the European Parliament and of the Council of October 22, 2008, as replaced by Directive 2015/2436 of the European Parliament and of the Council of December 16, 2015.

¹⁸ Decision of January 29, 2020, Case C-371/18, §§ 66, 67—*Sky v. SkyKick*.

¹⁹ Decision of September 12, 2019, Case C-104/18 P, § 46—*Koton v. EUIPO* (referred to in decision of January 29, 2020, Case C-371/18, § 75—*Sky v. SkyKick*).

²⁰ Decision of September 12, 2019, Case C-104/18 P—*Koton v. EUIPO*.

²¹ *Id.* § 45 (referred to in decision of January 29, 2020, Case C-371/18, § 74—*Sky v. SkyKick*).

other than those falling within the functions of a trademark.²² However, in the *SkyKick* case, the CJEU limited itself to confirming the aforementioned general requirement for bad faith as set out in the *Koton* decision, without following the conclusions of its Advocate General regarding the consequences.

Trademark owners can be relieved, as the Court conceded that bad faith could not be presumed based solely on a finding that the applicant had no economic activity corresponding to the goods and services referred to in the application at the time the application was filed.²³ Moreover, the Court confirmed that, even if bad faith was found due to absence of intent to use, the registration would not necessarily be invalidated in its entirety but only insofar as it covered goods or services for which this had been found.²⁴

III. COMMENT

The Court's findings regarding the (absence of) consequences of a lack of clarity and precision of the goods or services for the validity of the registration, as well as the required relevant and consistent indicia for a finding of bad faith due to an absence of intention to use the trademark, may make trademark owners feel rather safe and not concerned about possible invalidation actions. But what did the CJEU really decide, and what does this mean for trademark applicants or owners?

A. Lacking Clarity and Precision as a Matter of Public Policy

Even though a lack of clarity and precision of the goods or services is not expressly listed as a ground for invalidity in the EUTM Regulation or Trademark Directive and the list of grounds for invalidity is exhaustive, the question remains whether lack of clarity and precision in the goods or services specification falls under one of the existing grounds for invalidity. In the *IP Translator* decision, the CJEU had already pointed out that the entry of the mark in a public register had the aim of making it accessible to the competent authorities and to the public, particularly to economic operators.²⁵ The competent authorities need to know which goods and services a trademark applicant is seeking registration for, as the registrability of the trademark has to be examined with regard

²² *Id.* § 46 (referred to in decision of January 29, 2020, Case C-371/18, § 75—*Sky v. SkyKick*).

²³ Decision of January 29, 2020, Case C-371/18, § 78—*Sky v. SkyKick*.

²⁴ *Id.* § 79.

²⁵ Decision of June 19, 2012, Case C-307/10, § 46—*Chartered Institute of Patent Attorneys v. Registrar of Trade Marks* and previously in the decision of December 12, 2002, Case C-273/00, § 28—*Sieckmann*.

to these.²⁶ Economic operators need to know it to assess the scope of protection of a registered trademark.²⁷ This addresses a public interest that could make the requirement of clarity and precision of the goods or services specification part of the public policy.

But the CJEU did not share the Advocate General's opinion that a lack of clarity and precision of the goods or services was against public policy, stating that public policy did not relate to the goods or services.²⁸ As a result, there was no need to assess whether broad general indications of goods such as "computer software" lacked clarity and precision as even such a lack did not render the trademark invalid.

In the first comments on the decision, this was understood to mean that broad indications such as "computer software" were, therefore, not grounds for declaring a mark invalid.²⁹ But it is not that simple.

The real issue with regard to general terms that cover a large variety of goods or that can be used in connection with a large variety of products and industries is not that such terms lack clarity. The real issue is that the applicant may be claiming excessive protection, which the legislator, the trademark authorities, and the courts are not willing to concede to the applicant—that is, that the indications of goods and services lack specificity, and thus legitimacy. This does not concern the actual characteristics of the trademarks, even though it follows from them, because the question of whether a term is overly broad cannot be answered by looking at the term itself but only by comparing the goods and services concerned with the applicant's business activities. This is the foundation of the trademark's legitimacy. That being said, if a possible excessive breadth of general terms does not concern the trademark's characteristics themselves, the court's logic as to why the trademark could not be contrary to public policy does not apply. Instead, considering public policy to deal with overly broad trademark protection is more appropriate than a possible lack of clarity and precision.

Admittedly, issues of public policy have so far related to general overriding rules, provisions, and legislative aims, but not to the specification of goods and services. This may keep one from thinking of the issue in this context. But applying this ground for invalidity is not excluded. It has been discussed under a comparable aspect, namely in the context of the re-monopolization of pieces of art after

²⁶ See decision of June 19, 2012, Case C-307/10, § 43—Chartered Institute of Patent Attorneys v. Registrar of Trade Marks.

²⁷ *Id.* § 44.

²⁸ Decision of January 29, 2020, Case C-371/18, §§ 66, 67—Sky v. SkyKick.

²⁹ See Rory O'Neill, *Could Brexit force an early SkyKick clarification?*, WIPR (Jan. 31, 2020), <https://www.worldipreview.com/news/could-brexit-force-an-early-skykick-clarification-19264>, quoting some commentators.

the copyright in a work had expired.³⁰ Also in that case, the question was whether the trademark protection was legitimate for reasons that lie outside the four corners of the trademark application.

Therefore, when reviewing arguably overly broad trademarks, the question of whether such marks can violate public policy—that is, the question of an illegitimate *effect* of the trademark application (as opposed to an “illegitimate”—namely unclear and imprecise—*wording* of the trademark application and as opposed to an illegitimate *intention* underlying the trademark application making it appear as an act of bad faith; see below under Part III.B.2) is justified. One cannot dismiss the relevance of public policy from the outset, as the Court appears to have done, even if the answer may be divisive. The reason is that the CJEU requires, even though addressed in the context of possible bad faith, an assessment of the trademark application in the context of the aims of EU trademark law. The aims of the EU trademark law are part of public policy. In this respect, the CJEU stated that EU trademark law was aimed at contributing to a system of undistorted competition in the EU, in which each undertaking must be able to register its trademarks to distinguish its goods or services from those of competitors.³¹ This addresses the competition in general. The mere effect of excluding others from using a mark that the trademark applicant has no intention of using restricts those third parties from developing their own commercial activities under the same or a confusingly similar mark. This may discourage others from using the mark even in an unrelated business—simply because of an existing trademark registration. To some degree, already this constitutes a distortion of competition. If competition could therefore be distorted already by an overly broad trademark registration that discourages third parties from using the mark, then the proper ground to address the illegitimate *effect* of the trademark registration is public policy. It must be borne in mind that this illegitimate effect is the restriction of competition within the EU by monopolizing a mark in a business sector, in which it should be kept free to the extent that it is overly broad—and this not only five years after registration, when the trademark has become subject to the use requirement.

In *SkyKick*, the CJEU therefore addressed the question submitted, but the overarching question of whether overly broad trademark specifications are contrary to public policy is still open. The CJEU seems to have another solution in mind, as it referred to the rules on revocation for non-use, whereby, in case of overly broad specifications, the trademark can be revoked for all goods and services for which it has not been put to genuine use. Revocation after five years of non-use, however, is not the same as nullity from

³⁰ EFTA Court, decision of April 6, 2017, Case E-5/16—Vigeland.

³¹ Decision of January 29, 2020, Case C-371/18, § 74—*Sky v. SkyKick*.

the outset.³² This is why one could argue that overly broad trademark protection might be a matter of public policy. Of course, this only leads to another question: under which circumstances is a trademark *overly* broad? This is where the commercial logic of a trademark application comes into play (see below under Part III.B.2).

B. Lacking Intent to Use as a Matter of Bad Faith

Regarding an invalidation of a trademark for bad faith due to a lack of intention to use the trademark, the CJEU much more closely approached the Advocate General's opinion even though the Court took only a first step on the question of the application of the bad faith concept toward overly broad trademark protection.

1. Broad Specifications as Common Practice

When applying for a trademark registration, it is common practice not only to indicate the goods or services of primary interest but also to seek broader protection—for example, for a possible future brand extension or for defensive purposes. This often leads to a specification that includes broad general terms and a large number of specific goods or services.

In *SkyKick*, the CJEU points out that a trademark applicant's bad faith cannot be presumed on the basis of the mere finding that, at the time of filing the application, the applicant had no objective economic activity corresponding to the goods or services covered in the application.³³ In the *Pelikan* decision of 2012, however, the General Court of the EU had indicated that, as a rule, seeking to register a mark for categories of goods and services other than those that were sold at the time of filing the trademark application was legitimate only to the extent that the applicant had at least an intention to enter the market in the future.³⁴

Further developing this thought, the CJEU stated in *SkyKick* that without such honest intentions, the applicant acted in bad faith³⁵ because, in addition to dishonest intentions, the “context of the course of trade” should also be taken into account.³⁶

³² Not least because the CJEU has confirmed that the owner of a trademark that has never been put to use and is subsequently revoked due to non-use can nevertheless claim damages for trademark infringement that occurred during the time when the mark was not (yet) vulnerable to revocation. See decision of March 26, 2020, Case C-622/18—Cooper International.

³³ Decision of January 29, 2020, Case C-371/18, § 76—*Sky v. SkyKick*.

³⁴ Decision of December 13, 2012, Case T-136/11, § 54—*Pelikan*.

³⁵ Decision of September 12, 2019, Case C-104/18 P, § 46—*Koton v. EUIPO*; referred to in decision of January 29, 2020, Case C-371/18, § 75—*Sky v. SkyKick*.

³⁶ See *supra* note Decision of September 12, 2019, Case C-104/18 P, § 45—*Koton v. EUIPO*; referred to in decision of January 29, 2020, Case C-371/18, § 74—*Sky v. SkyKick*.

In this respect, and as already mentioned, the CJEU stated that EU trademark law was aimed at contributing to a system of undistorted competition in the EU, in which each undertaking must be able to register its trademarks to distinguish its goods or services from those of its competitors.³⁷ This addresses the competition in general.

When looking at the “context of the course of trade” and the aim of an overall undistorted competition within the EU, the mere effect of excluding others from using a mark that the trademark applicant has no intention of using restricts those third parties from developing their own commercial activities under the mark. This may discourage others from using the mark even in an unrelated business. Already this constitutes a distortion of competition. Of course, the distorting effect may be insignificant in the individual case, as the discouraged competitor could distribute the product under another trademark. Still, it reduces the competitor’s options. Realizing this possible effect and nevertheless filing the trademark application broadly, even though not striving for it in the first place, may constitute a dishonest intention and turn a merely illegitimate *effect* (that might already be contrary to public policy) into an illegitimate *intent*, and thus “bad faith.”

2. Commercial Logic and the Dysfunctional Use of a Trademark

It is only consequential that the CJEU refers to the *Koton* case,³⁸ stating that bad faith does not only exist if the applicant filed the trademark application for the purpose of undermining the interests of third parties (as in the *Koton*, *Ann Taylor*,³⁹ and *Outsource2India*⁴⁰ cases), but that bad faith can also be found if it is clear from objective, relevant, and consistent indicia that the trademark applicant filed the application with the intention of obtaining an exclusive right to the applied-for mark, even without targeting a specific third party. In other words, bad faith is constituted by seeking to obtain the mere formal position that a trademark registration represents and that is discouraging to third parties, for purposes other than those falling within the functions of a trademark (i.e., for the purpose of pursuing a “dysfunctional” use of the trademark).

Dysfunctional use of the mark is use that is opposite to the trademark’s function. A trademark’s function is to identify goods for

³⁷ Decision of January 29, 2020, Case C-371/18, § 74—*Sky v. SkyKick*.

³⁸ Decision of September 12, 2019, Case C-104/18 P—*Koton v. EUIPO*.

³⁹ Decision of the General Court of May 23, 2019, joined Cases T-3/18 and T-4/18—*Holzer y Cia v. EUIPO*.

⁴⁰ Decision of the CJEU of November 13, 2019, Case C-528/18 P—*Outsource Prof. Servs v. Flatworld Sols*.

the purpose of distinguishing them from the goods of other producers and to represent a trademark's reputation that the trademark owner has built by investing in the trademark. Consequentially, dysfunctional use of the mark means: not identifying goods but merely decorating goods with the mark for promotional purposes or to express statements, or exploiting the reputation of an earlier mark instead of building its own reputation. This is what constitutes bad faith in the typical case of trademark applications for the purpose of undermining the interests of third parties.

However, dysfunctional use is more than that. The opposite of distinguishing products is not only causing confusion or imitating products, it also includes simply not distinguishing products at all. In other words, it includes the overall refusal to use a trademark once it is registered because a trademark that is not used is incapable of distinguishing the goods and services associated with the mark. This means appropriating a part of the public domain by applying for a trademark for goods or services for the sole purpose of discouraging third parties from using it; that is, for the sole purpose of establishing a "neutral zone," where the trademark owner does not use the trademark and others are kept from using it.

The objective, relevant, and consistent indicia for the bad faith could then be the goods and services on the one side and the current business activities of the applicant on the other. Where the neutral zone exceeds the trademark applicant's own business activities but is still related to an adjacent, neighboring business, it may follow commercial logic. Where the neutral zone exceeds the trademark applicant's own business activity into unrelated fields of business, the indicia speak against it and the specification of goods and services requires justification. If "purposes other than those falling within the functions of a trademark"⁴¹ can be understood in this way, the onus would then be on the trademark owner to prove the "commercial logic"⁴² of the inclusion of those goods or services in the trademark application, or the "rationale for the application for registration in the light of the aims referred to in [the EUTM Regulation and the Trademark Directive],"⁴³ as the CJEU now puts it.

This is not necessarily put into question by the statement of the CJEU according to which the applicant is not required to already know precisely at the date of the application for which goods or

⁴¹ Decision of September 12, 2019, Case C-104/18 P, § 46—*Koton v. EUIPO* (referred to in decision of January 29, 2020, Case C-371/18, § 75—*Sky v. SkyKick*, which can be interpreted in this way).

⁴² *Id.* § 32.

⁴³ Decision of January 29, 2020, Case C-371/18, § 77—*Sky v. SkyKick*.

services the applied-for mark will be used but that the applicant has a period of five years for beginning actual use of that trademark⁴⁴ so that “the bad faith of the trade mark applicant cannot, therefore, be presumed on the basis of the mere finding that, at the time of filing his or her application, that applicant had no economic activity corresponding to the goods and services referred to in that application.”⁴⁵ Such an economic activity must not exist at the time of filing the application but taking it up within five years from registration must lie within the commercial logic of the trademark. This, however, requires that the goods and services are related to a business that is at least adjacent to the applicant’s business at the time of filing the application.

Accordingly, the CJEU’s statement could be interpreted in a way that trademark applications may be considered to be made in bad faith if they cover goods or services that are unrelated to those of the applicant or those of an adjacent business at the time of filing the application, unless it can be explained why such a trademark still makes sense.

With the *SkyKick* decision, the CJEU has therefore opened the door to an invalidation of trademarks from the day of their registration if they cover goods or services unrelated to the trademark owner’s current business or an adjacent business.

At least to some extent, trademark owners can be relieved, as the CJEU held that the registration would not necessarily be invalidated in its entirety but only insofar as it covers goods or services for which there is no intention of use.⁴⁶ Accordingly, the UK High Court, in a decision issued on April 29, 2020, applied the CJEU ruling to the facts of the case and held that Sky had acted partly in bad faith. It found that Sky did not intend to use its trademarks for certain goods and services covered by their specifications, that there was no foreseeable prospect that it would ever intend to use the trademarks for them,⁴⁷ and that Sky had used categories in the trademark application that were so broad that it could not and did not intend to use the mark across the breadth of the category (for example, computer software, as had been addressed in the referred questions).⁴⁸ These terms were accordingly limited to the field of use.⁴⁹ The High Court also held that Sky had been seeking very broad trademark protection regardless of whether it was commercially justified. Rather, the trademark applications had been filed with the intention of obtaining an exclusive right for

⁴⁴ *Id.* § 76.

⁴⁵ *Id.* § 78.

⁴⁶ Decision of January 29, 2020, Case C-371/18, § 79—*Sky v. SkyKick*.

⁴⁷ Decision of April 29, 2020, Case [2020] EWHC 990 (Ch), § 21—*Sky v. SkyKick*.

⁴⁸ *Id.* § 28.

⁴⁹ *Id.* § 29.

purposes other than those falling within the functions of a trademark, namely, “purely as a legal weapon against third parties.”⁵⁰

C. Broad General Terms

This leads back to overly broad general terms, such as “computer software.” If the actual allegation is that the trademark applicant is seeking overly broad trademark protection beyond the applicant’s business activity, then it does not matter whether the overly broad protection follows from a few broad general indications or from too many specific indications. The result is the same. Therefore, broad terms such as “computer software” should be examined not only with a view to public policy, but also in connection with bad faith.

IV. CONSEQUENCES FOR TRADEMARK APPLICANTS

What does this mean for trademark applicants if they filed a trademark application for broad terms or a multitude of terms in order to prepare for a brand extension or defensive purposes?

A. Broad General Terms

To avoid a potential challenge for overly broad coverage, trademark applicants should consider restricting broad general terms to subcategories that cover the goods or services in actual use, of likely future use, and of related business activities.

B. Brand Extensions

A trademark applicant may file early in order to obtain the best possible priority for the trademark, even if the marketing plans have not yet been completed and even if it is not yet possible to assess whether a brand extension will occur and be successful. The economic potential of a brand extension depends on circumstances that are not the subject of the trademark application. The more similar the original product category and the expanded product category are in terms of technology and the emotions that are triggered by the brand incarnated in and symbolized by the trademark, the greater is the potential for extension of a brand. The wider the gap between the original goods and the proposed extension, the more the trademark applicant is under pressure to justify the application.

A brand extension within the same product category (i.e., a “line extension”) is not problematic. A brand extension into a new product

⁵⁰ *Id.* § 21.

category of the same business or industry (i.e., a “category extension”) can also be unproblematic.

A brand extension into a new product category of another business or industry, however, requires a differentiation between an extension into a neighboring, adjacent business and an extension into a distant business. If the other business is a neighboring, adjacent business to the original, it can be considered a “legitimate commercial expansion strategy,” as addressed in the *Ann Taylor* decision of the General Court.⁵¹ The General Court found that the defendant’s application for the ANN TAYLOR trademark for *watches* was filed in bad faith, because watches and clothing belong to “neighbouring market segment[s],”⁵² as watches and clothing are “goods . . . play[ing] a role in a person’s physical appearance”⁵³ and show an “aesthetic complementarity.” It could, in turn, not be illegitimate if the owner of the ANN TAYLOR *apparel* brand had registered the ANN TAYLOR mark also for watches because a possible expansion of its business into the watches business, as a neighboring market segment would follow commercial logic. The presumption of good faith would not have been rebutted, and no justification would have been necessary if a trademark application for watches had been filed in advance of the use.

A trademark application to prepare for a brand extension may require clear focus, as evidenced by the extension of the EDDING brand, which is known for flipchart markers or highlighters⁵⁴ and was extended to nail varnish⁵⁵ and could likewise be extended to lipsticks.⁵⁶ Again, the marks include two different fields of business: writing instruments and cosmetics. In the abstract, it will not be possible to speak of neighboring market segments; however, looking at the specific products, the brand extension appears to make sense, as it is only a little step from a pen filled with a liquid to draw colored lines on paper to a pen filled with nail varnish or pigmented wax to draw colored lines on fingernails or lips. Therefore, one cannot deny the commercial logic of the brand extension. Of course, it would justify a trademark application for only nail varnish and lipsticks, not for cosmetics in general.

⁵¹ Decision of May 23, 2019, Cases T-3/18 and T-4/18—*Ann Taylor*.

⁵² *Id.* § 64.

⁵³ *Id.* § 70.

⁵⁴ As covered, for example, by EUTM no. 6 873 111 (“edding”).

⁵⁵ As covered by EUTM Nos. 11 614 261 (“edding”) and 11 614 393 (“edding L.A.Q.U.E.”).

⁵⁶ As covered by EUTM Nos. 11 614 261 (“edding”) and 17 944 387 (“edding L.I.P.S.T.I.Q.U.E.”).

C. Defensive Protection

At first glance, it seems logical, at least in the case of well-known trademarks, to seek simplified defensive protection against an exploitation of the trademark's reputation in product categories that are unrelated to the trademark owner's business, but to which the mark's reputation may extend, functioning as a trademark.

Defensive protection for remote categories of products would of, course, make sense from a commercial point of view, as it would relieve the trademark owner of the burden to prove the mark's reputation. But this is circular reasoning since the mark's established reputation is the only thing that could justify such defensive protection. Although it would appear that the trademark application is then no longer necessary, it should be kept in mind that a registration for those remote categories would still be necessary to cover those goods by border seizure orders.

In categories of goods in which the reputation cannot be exploited because the reputation is linked to product characteristics that are completely different from those of the goods in the remote product category, the defensive protection would go beyond the broad protection of well-known marks and would therefore not be justified.

Anyway, defensive protection implies, or at least suggests, non-use by definition. One should therefore never admit that the purpose of a trademark registration is defensive.

V. OUTLOOK

After all, the question of overly broad trademark protection is still open.

Does this bring the European trademark system closer to the Anglo-American trademark system? It is likely that broad general terms will continue to be accepted by the trademark authorities and courts, and that they will insofar refer to the *SkyKick* decision. In registration proceedings, the intention to use the mark will not play a role in any event, because, at least under EU trademark law, this is not an element of examination. The issue will therefore arise only in cancellation proceedings. There, however, it is possible that a court may take a dissenting view and decide the issues differently.

We will have to wait and see what happens in practice and how narrow or generous the commercial logic is applied. But trademark owners with specifications outside of their core business or an adjacent one will face a greater risk of invalidation proceedings when they try to enforce their trademarks before they become subject to the use requirement.

BOOK REVIEW

Internet Intermediaries and Trade Mark Rights. Althaf Marsoof. 2019. Pp 249. \$157 (hardback); electronic version available. Routledge, Taylor & Francis Group, 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN, UK.

Trademark infringement on the Internet is rampant, and Internet intermediaries play a key role in facilitating infringement online. These intermediaries—which include Internet Service Providers (“ISPs”), hosts that provide digital space or store third-party content, and navigation providers—provide essential services to infringers online and may be in the best position to stop infringement.

In *Internet Intermediaries and Trade Mark Rights*, Althaf Marsoof explores the legal and policy underpinnings of Internet intermediary liability for trademark infringement on the Internet. While the focus of the work is English law, the author also includes discussion of related European and international legal principles where appropriate. The author has made a concerted effort to keep the work fresh by including discussion of current legislative and recent case law developments. The book is also very timely, considering that the role of intermediaries is at the very forefront of recent public debate regarding regulation of online conduct. While it by design does not include every single “trademark infringement and intermediary liability” case, it does provide an in-depth discussion of key representative high-profile cases, in turn making it an essential resource for trademark practitioners and others wanting to know more about trademark rights and its interplay with Internet intermediaries. This publication is a worthy addition to the library of any firm that (or individual who) handles trademark disputes.

The primary strength of the book lies in Dr. Marsoof’s selection of a mix of practitioners and legal scholars from around the world to explore the in-depth historical, practical, theoretical, and scenario-based explanations of the operation of Internet intermediaries that should be useful to anyone practicing in the trademark field. Each chapter focuses on two regimes, generally, albeit not exclusively, from the perspective of English law, a select few jurisdictions of the European Union, or United States law. Since the book focuses primarily on reviewing the state of existing precedents and existing research, rather than developing new research, readers should keep in mind that the book’s main contribution in most places is its collection of existing precedents and comparisons of the similarities and differences of the applicable laws in the United Kingdom (“UK”), United States (“U.S.”) and the European Union (“EU”).

The book commences with an overview of Internet intermediaries (ISPs, hosts, and service providers) and defining their roles—shifting focus from online/individual infringers and touching upon the aspect of counterfeiting in the continuing efforts to deal with online infringements exclusively from a trademark point of view. It examines the role of Internet intermediaries and their liability for providing access to, hosting, or indexing content promoting trademark infringement in the backdrop of existing statutory and common-law principles, and the book proposes reforms to remedy the limitations and shortcomings in the existing legal framework. The text is divided into nine chapters canvassing all major issues in reasonable depth with reference to leading case law in the United Kingdom, United States, and a select few continental EU member states with the aim of generating a common ground in establishing Internet intermediary liability for trademark infringement.

In the second chapter, the author analyzes the significance of the “use” requirement under the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS Agreement”), the U.S. Trademark Act (the “Lanham Act”), and the EU Trade Marks Directive to develop key principles in establishing Internet intermediary liability for the unauthorized use of trademarks by third parties. He provides comprehensive coverage of trending issues concerning keyword advertising with a special emphasis on Google’s AdWords (now Google Ads) and the applicability of the “commercial communication” requirement. Dr. Marsoof discusses the intermediary’s active role and commercial involvement with underlying transactions, part of which is concerned with the intermediary’s own offerings as opposed to merely providing access to, hosting, or indexing content to infringers (a concept introduced by the Court of Justice of the European Union in *Google v. Louis Vuitton*). Ample authority for each proposition is provided by way of footnotes.

In the third chapter, Dr. Marsoof sheds light upon common law principles, comparing Section 10(5) of the Trade Marks Act, 1994 and Section 32 of the Lanham Act, in turn discussing various approaches concerning “accessory liability” to assess its potential application to the context of trademark law and Internet intermediaries fixing the liability of joint tortfeasors. He then analyzes the scope of accessory liability in common law as well as criminal accessory liability along with its limitations and, finally, as a species of tort. Finally, after discussing the propositions made by legal scholars such as Joachim Dietrich and Paul S. Davies in establishing a “common design requirement” expressly rejecting the views of the judiciary and arguing in favor of the recognition of liability for assisting civil wrongs, the author predicts how legislative reforms will attempt to address such issues in the future.

Chapter 4 explores various approaches that have been developed and adopted concerning key EU Directives by domestic courts and in some of the EU Member states—France, Germany, and Belgium, as well as in the United States, especially in the context of contributory infringement established in *Inwood v. Ives* along with a select few more decisions with similar fact patterns. Taking its cue from the progressive approaches adopted in the United States and the three Continental EU Member States, the author proposes developing a legislative response to address the shortcomings in current UK law.

Chapter 5 addresses the nature and scope of a proposal for law reforms and suggests an amendment to the United Kingdom's Trade Marks Act 1994 underlining the need for broadening the scope of liability for trademark infringement with respect to three classes of intermediaries. This includes a draft provision that intersects with EU law that aims to establish a mechanism for the aggrieved trademark proprietors' right to claim damages with monetary relief.

Chapter 6 is devoted to notice and takedown procedures and how they operate in the trademark context. The author has, however, opted to present a generalized view on the subject. The discussion also includes copyright issues concerning the Digital Millennium Copyright Act safe harbor provisions, including academic commentaries and empirical studies to counterbalance the abuse of takedown procedures.

In the seventh chapter, the author identifies four categories of notices of infringement—"clear-cut cases," "context-specific cases," "trade mark bullying," and "frivolous assertions," and discusses the interplay between third-party use and free speech rights proposing effective safeguards to ensure a fair-and-balanced approach to this practice. The distinction asserted through the categories of notices can be extremely helpful to those using this as a reference when tackling trademark disputes involving Internet intermediaries.

Chapter 8 touches upon the legal basis for injunctive relief against intermediaries, which highlights trademark as well as copyright issues. The discussion is infused with trenchant dissections of key cases with contributions from notable judges discussing the "actual knowledge" requirement and the development of injunctive remedies against ISPs for copyright and trademark infringements online.

In the final chapter, the author considers ways to improve the efficacy, balance, and fairness of the injunctive remedy in a more tiered and structured approach that complies with the principles of natural justice. He envisages layers of safeguards against abuse, specifically in relation to injunctions against navigation providers and hosts. He also proposes the adoption of a versatile framework that allows the enforcement of judgments—just like the Hague Convention on Foreign Judgments in Civil and Commercial Matters

1971 in addressing the needs of right holders specifically for the intellectual property context.

Internet Intermediaries and Trade Mark Rights is a practical and extensive guide to this area of the law and should be considered a must-read for anyone practicing in the trademark field. The book provides a blueprint for understanding how best to craft an enforcement strategy against intermediaries and protect trademarks from online infringers when formulating strategic advice for clients. With the aid of Dr. Marsoof's work, the reader can have a decidedly improved understanding of the options available concerning trademark law and its interplay with intermediary liability especially in relation to UK, U.S., and EU law. The author has managed to make this book a truly comprehensible and uncomplicated exposition of the law in plain English and with enlightened commentary scattered throughout. The relatively short discussions, theories, and scenarios arranged by numerous headings and subheadings in every chapter and supplemented by numerous footnotes help to keep the reader's attention throughout. The author has done an admirable and impressive job of assembling guidance and opinion from legal scholars and academicians from around the world in one accessible reference book. However, one of the most helpful aspects of the book is that it discusses key issues and important questions in a way that allows thoughtful readers to draw their own conclusions. In summary, this book is a highly valuable, if not indispensable, resource for practitioners of all levels of experience who are confronted with aspects of trademark law and its inextricable role with Internet intermediaries in modern day practice.

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