

be infringement, said the ECJ. The three types of injury are:

- *Detriment to distinctive character of the mark*—‘dilution’, ‘whittling away’, ‘blurring’—a weakening of the mark’s ability to identify the goods and services for which it is registered.
- *Detriment to the repute of the mark*—‘tarnishment’, ‘degradation’—a use of the mark by a third party which reduced the mark’s power of attraction perhaps through negative connotations.
- *Taking unfair advantage of the distinctive character or repute of the trade mark*—‘free-riding’, ‘parasitism’—a concept relating not just to the detriment caused to the mark but also to the advantage taken or gained by the third party as a result of its use of the mark.

There is no requirement under Article 5(2) (=section 10(3) TMA) for there to be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or its proprietor for there to be infringement. Unfair advantage alone will suffice. As the ECJ put it:

Where a third party attempts, through the use of a sign similar to a mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark.

In order to determine whether unfair advantage has been taken of the distinctive character or repute of the mark, the ECJ says that a global assessment must be undertaken. This should take into account all the factors of the case including:

- the strength of the mark’s reputation;
- the degree of distinctive character of the mark;
- the degree of similarity between the marks at issue;
- the nature and degree of proximity of the goods or services concerned;
- any likelihood of tarnishment or dilution of the mark;
- whether commercial advantage is conferred by any link created between the products;
- intention to take advantage.

Practical Significance

In a decision welcomed by brand owners, the ECJ has made it clear that intentional ‘riding on the coat-tails’ of a mark with a reputation (to benefit from the power of

attraction that mark carries and exploit the marketing efforts of the brand owner) is to take unfair advantage of the distinctive character or repute of a trade mark. It can be assessed as such by national courts without the need for evidence of damage to the brand or its proprietor or of confusion (which is often difficult to prove). Further, the ECJ’s conclusion that these acts fall foul of the MCAD’s requirements removes recourse to a comparative advertising defence.

However, the ECJ’s findings apply only to trade marks ‘with a reputation’. Given the expansion of the breadth of protection afforded to trade mark proprietors by this decision, the entry level for the category of ‘marks with a reputation’ is expected to be the subject of much debate in the near future.

The use of the term ‘unfair competition’ to justify the conclusion that the use of famous brand names in comparison lists took unfair advantage and thus contravened MCAD’s criteria for legitimate comparative advertising will ring warning bells in the minds of many. Is this the imposition of a law of unfair competition by the back door?

This is another case where the extended ‘functions’ of a trade mark are referred to. If functions beyond the guarantee of origin are to be so readily taken up by the ECJ as sufficient to found a trade mark infringement action, then the breadth of protection afforded to famous marks may become unpalatably great for many.

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■ Canada’s Federal Court rejects American law of Fraud on the Trademark Office

Parfums de Coeur, Ltd v Christopher Asta, 2009 FC 21, 8 January 2009

Canada’s Federal Court refused to import the US doctrine of fraud on the trade mark office when deciding whether a Canadian trade mark registration was invalid due to an inaccurate declaration of use.

Legal Context

If a Canadian trade mark application contains a proposed use claim (analogous to an intent-to-use claim in other countries), the Canadian Intellectual Property Office (CIPO) will not register the mark unless the applicant signs and files a declaration of use with CIPO. The

applicant is not required to swear to this declaration or attach specimens of use. The applicant must delete from the declaration wares or services claimed in the application but not used with the mark in Canada.

Canada's Federal Court can expunge or amend a mark registration if the registration does not, when expungement or amendment proceedings begin, accurately reflect the rights of the mark owner (Trade-marks Act, section 57).

Section 57 expungement proceedings can allege mark registration invalidity because the registration violates section 18, under which a mark registration is invalid if the applicant was not entitled to secure the registration, or if the mark (i) was not registrable at the date of registration, (ii) was not distinctive when the section 57 proceedings begin, or (iii) has been abandoned.

The Act does not specifically state that fraud or an inaccurate declaration invalidates a mark registration. Rather, Canadian jurisprudence states that a registration can be invalidated by (i) fraudulent, intentional misstatements or (ii) innocent misstatements that are material because, without the misstatements, the mark would not have overcome the registration barriers specified in section 12 (eg confusion).

In the USA, fraud on the Patent & Trademark Office (PTO) occurs when applicants make false and material factual misrepresentations concerning their mark applications. Fraud can be shown by evidence that the applicant knew or should have known that its statement to the PTO was false when it was made and that, but for that statement, the registration would not have issued. Evidence that the applicant specifically intended to defraud the PTO is not required. An applicant cannot cure fraud by amending the application once a fraud proceeding begins. While an applicant or registrant's ignorance of the law regarding mark use is no excuse, the US Trademark Trial and Appeal Board (TTAB) may accept that the applicant's or registrant's belief in the false statement arose from an honest misunderstanding, inadvertence, or negligent omission. The registration may be maintained if the inaccurate statement was immaterial to the registration's issuance or maintenance.

Facts

Christopher Asta filed a Canadian proposed use mark application for BOD for personal care and cosmetic products. Asta, who owned a family business with a limited product range on which the mark would be used, thought the required declaration could state that the BOD mark had been used in Canada with all of the wares claimed in his application and signed a declaration to that effect. However, the BOD mark had been used in Canada with only some of the wares claimed in the application. Nonetheless, CIPO allowed the BOD mark application to register.

Subsequently, Parfums de Coeur (PDC) initiated section 57 expungement proceedings against the BOD registration based on the erroneous declaration. PDC's expungement application alleged that Asta's registration was void or invalid because it was obtained via a declaration which contained either a fraudulent misrepresentation or a materially false statement fundamental to the registration. PDC's submissions emphasized the latter allegation.

Before beginning the expungement proceedings, PDC notified Asta of its intention to do so. In response and before the expungement proceedings began, Asta amended the BOD registration to reflect accurately the wares with which the BOD mark had been used. During the expungement proceedings, Asta admitted that the declaration was inaccurate due to his erroneous belief that, as long as the BOD mark had been used with just one of the wares claimed in the application, the declaration could list all of the wares claimed in the application.

Analysis

In its submissions, PDC based its arguments on the US doctrine of fraud. The Court found that, under that doctrine, the registration would have been void due to the declaration error. The Court did not find the US doctrine persuasive, observing that Canadian law did not go as far as US law regarding misstatements. While Asta's declaration was inaccurate and his belief that the declaration could be filed claiming all the wares in the application was 'clearly wrong', the Court found that the declaration contained an innocent or potentially negligent misstatement which did not help the BOD mark application overcome barriers to registration.

The Court noted that Asta amended the BOD statement of wares once he knew the declaration was problematic and before PDC initiated proceedings. While the Court did not advise what the outcome would have been if Asta had not amended the statement of wares, the Court might have expunged the registration if Asta had not amended his registration before PDC initiated the proceedings.

If *Parfums* arose in the USA, the analysis may have been, in the words of the Canadian Court, less 'nuanced and balanced'. This is likely a correct interpretation of the US approach to fraud. As a result, *Parfums*' outcome in the USA would probably have been different. Procedurally, the case would have taken the same track in the USA. Since Asta amended his registration before PDC initiated expungement (and fraud) proceedings, the TTAB would probably allowed Asta's amendment. US law would have prohibited Asta from trying to cure his fraud by amending his registration after the fraud proceeding began.

Unlike applicants in Canada, Asta would have been required in the USA, when he submitted his statement of use (or a section 8 affidavit of use or a section 9 renewal application) to swear that he was 'using' the mark in

connection with 'every item' listed in the application or registration. This oath requirement, the gravity of which is frequently overlooked by applicants, may have forced him to reconsider on which products he actually applied the mark.

If PDC asserted a fraud claim against Asta in the USA, PDC would need to show objective evidence that (i) Asta knew or should have known that his statement of goods to the PTO was false when it was made and (ii) but for that statement, the registration would not have issued. PDC would not have been required to establish Asta's specific, subjective intent to defraud the PTO. This US 'knew or should have known' standard refocuses the analysis on the objective manifestation of Asta's intent, resulting in a different outcome. PDC could have asserted facts that reflect that Asta, as partial owner involved in the business, was in a position to know on which goods the mark was actually used. The record reflects that this was a family-owned business with a limited number of products. With this, PDC could have easily asserted that it was not reasonable for Asta to believe that he was using the mark with every good on the list, especially those goods that he had never sold.

Similarly, Asta's defence that his misstatement arose from his lack of understanding of the trade mark system would not have been persuasive in the USA. To defend against fraud in the USA, Asta would have had to show that (i) he believed what he stated about the goods was true, (ii) his belief came from an honest misunderstanding, inadvertence, or negligent omission, and (iii) his statement was not material to the issuance or maintenance of the registration.

Asta's defence, which reduces to 'I did not understand the law', would have been rejected in the USA and would not have saved his challenged registration. The TTAB frequently rejects this defence, along with defences that the applicant 'was not represented by counsel', 'does not speak English', 'suffers poor health', and 'did not know what "use in commerce" meant'.

Whether this US result is, in the arguable overstatement of the Canadian Court, a 'draconian result[s] for even an innocent mistake', is subject to individual interpretation.

Practical Significance

While the Federal Court's refusal to import the US doctrine of fraud means that, for now, innocent mistakes in a declaration's statement of wares or services may not invalidate a Canadian trade mark registration, Canadian law is not clear on the consequences of an inaccurate declaration. Accordingly, trade mark applicants should ensure that the wares or services in a declaration are accurate. If there are any doubts as to accuracy, the applicant must amend the wares or services claimed in a registration before expungement proceedings are brought so that the

registration accurately reflects the wares or services associated with the mark.

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■ Kraft wins game, set (and match?) in the *Milka v Milko ΔΕΛΤΑ* trade mark battle with Greek DELTA

Case T-204/06 *Vivartia v OHIM*, Court of First Instance of the European Communities, 10 June 2009

The Court of First Instance ruled that the applicant's MILKO ΔΕΛΤΑ & device was confusingly similar to the opponent's MILKA & device, in a judgment which leaves room for criticism of its interpretation of the law.

Legal Context

At issue in this case was the interpretation of Article 8(1)(b) of Council Regulation 40/1994 (now 207/2009), particularly as regards the rules of the similarity of signs, where compound marks are involved.

Facts

In January 2002, Vivartia, formerly Delta, filed an application for the Community trade mark MILKO ΔΕΛΤΑ & device (depicted below) to designate milk with cocoa in Class 30.

