

POLICING AND ENFORCING TRADEMARKS

1. Legal Rights Generally

The owner of a trademark has a right to protect the trademark from a variety of third-party actions that may diminish the trademark's ability to identify the source of the goods or services or that may damage the goodwill the owner has acquired in the trademark. The Internet has expanded the possibilities of infringing activities, with trademarks more susceptible to impermissible use, copying, linking, and cyber squatting. In general, holders have an obligation to police their trademarks and cannot remain wilfully oblivious to infringing behaviours. Without adequate policing, a trademark holder remains ignorant of infringing behaviours and, should a trademark violation eventually come to light, this lack of oversight on the part of the owner gives rise to a defence of abandonment or laches during future litigation. The duty to police trademarks, however, is not so weighty a burden that every infringer must be sued immediately or simultaneously, merely each holder must reasonably undertake to enforce its rights in its trademark. Trademark and service mark licenses should address this right to the extent that it may be desirable or necessary for the licensee to assist the licensor in policing and enforcing rights in the mark.

2. Infringement

The owner has the right to prevent infringement of the mark—the use of a reproduction, counterfeit, copy or imitation of the trademark or a substantially similar trademark in connection with the sale, offering for sale, distribution, or advertising of any goods or services in a way that is likely to cause confusion or mistake in the marketplace. The remedies for infringement include injunctive relief and, in some cases, the recovery of profits and damages. To constitute infringement, the unauthorized use must create a likelihood of confusion as to the source of the goods or services. To determine whether likelihood of confusion exists, courts look to a number of key factors including: (1) the strength of the mark; (2) the similarity between the marks; (3) the relatedness of the goods or services; (4) evidence of actual confusion; (5) the sophistication of the buyers; (6) the defendant's intent in selecting the mark; and (7) the likelihood of expansion of the product lines. Any one of these factors may be decisive if strong enough as an evidentiary matter.

3. Unfair Competition

Aside from the remedies for infringement of registered marks, Canadian and the USA federal laws provide similar remedies for a broader range of deceptive or unfair trade practices, including confusing use in commerce of unregistered trademarks, misrepresentation as to origin, source, or sponsorship of goods or services, and false advertising. As a general rule, although a claim of unfair competition is broader than a claim of infringement, the issues in the two claims are similar, and an action for infringement would also support an action for unfair competition.

4. Dilution

The Trademarks Act in Canada and The Lanham Act in the USA provide a cause of action for dilution of the distinctive quality of a mark. Unlike infringement, the dilution doctrine generally applies even in the absence of consumer confusion or competition between goods or services. Anti-dilution provisions aim to prevent a seller of non-competitive goods or services from trading on the goodwill and reputation of another's trademark and thereby gradually "whittling away" that trademark's selling power. Dilution also applies where a mark may be tarnished by use in an unsavoury context, as in an association with illicit drugs or sexual activity. To dilute a mark through tarnishment, the offending use must generally be in a context which is inherently unwholesome or which otherwise is not consistent with the high quality image associated with the mark.

An owner can establish a claim of dilution only if the trademark is strong, by virtue of either being distinctive or having acquired secondary meaning. Examples of marks that were held strong enough to serve as a basis for dilution include the uniforms of the Dallas Cowboy cheerleaders, the mark TIF-FANY for jewellers, the slogan THE GREATEST SHOW ON EARTH for a circus, and McDonald's restaurant golden arches design. Some courts have held that the strength of a trademark for dilution purposes is measured by its recognition by the public generally and not just in a limited geographical or commercial area.

5. Damages

A successful plaintiff in an infringement, unfair competition or dilution action may be entitled to recover costs, any damages sustained as a result of the defendant's action, and defendant's profits resulting from the infringement, unfair competition or dilution of plaintiff's marks. Courts may, in their discretion, treble plaintiff's damages if so doing is necessary but not punitive, and, in exceptional cases, may award lawyers' fees to the prevailing party. In cases of intentional counterfeiting, such trebling of damages or profits is mandatory.

For a plaintiff to elect statutory damages in lieu of actual damages and profits, it must do so prior to the court's rendering of a final judgment. Under the statute, the court may award damages ranging from \$500 to \$100,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed or, if the violation is wilful, not more than \$1,000,000 per counterfeit mark per type of goods or services sold, offered for sale or distributed. By limiting the provision to "per counterfeit mark per type of goods or services sold," the award most likely cannot be multiplied by the number of counterfeit items sold, offered for sale or distributed. Often, a plaintiff will elect statutory damages when it is unable to prove actual damages because of situations such as a destruction of the counterfeit goods or poor or unreliable record keeping by the defendant.