

## The trademark four(mula): enforcement and risk mitigation

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Authors: [J. Ryan Holland](#), [Ryan Howes](#), [Daniel Hnatchuk](#), [Barry Fong](#)

Trademarks are important assets for any business. When it comes to trademark enforcement, options abound, which can sometimes be disorienting for the uninitiated. Without regular monitoring for unauthorized use of trademarks and, if necessary, enforcement of trademark rights, businesses run the risk of losing the distinctiveness of their trademarks and the scope of protection they afford. Conversely, it is essential for businesses to understand the potential for trademark missteps that can lead to costly legal claims.

Canadian trademark enforcement is founded on four categories of potential violations: infringement, passing off, depreciation of goodwill and false and misleading statements. Infringement and depreciation of goodwill require registered trademark rights, while passing off may be based on registered and unregistered rights. False and misleading statements do not require reference to a specific trademark. While these categories are mirrored in other jurisdictions, including the United States and Europe, Canadian trademark law has some unique qualities.

This Update sets out to provide a crash course on the “core four” of trademarks, so you can take steps to formulate an efficient enforcement strategy and avoid potential liability.

#### Infringement

Trademark infringement claims under sections 19 and 20 of the *Trademarks Act* may only be based on registered trademark rights.

**Section 19** of the *Trademarks Act* provides that registration of a trademark gives the owner the exclusive right to use the registered trademark throughout Canada in association with the registered goods and services. Accordingly, section 19 grants the right to sue for unauthorized use of an *identical* trademark in respect of the same goods and services set out in the registration.<sup>[1]</sup>

The elements required to prove a section 19 claim are thus: (a) the unauthorized use of the mark, where (b) the mark is identical to the one depicted in the registration and (c) the mark is used in association with one or more of the goods and/or services listed in the registration.

**Section 20** of the *Trademarks Act* is broader in scope because it deems the use of a *confusing* trademark or trade name to constitute infringement of the owner’s exclusive right to use the

registered trademark.

Confusion between trademarks is defined at subsection 6(2) of the *Trademarks Act*, and subsection 6(5) sets out a non-exclusive list of the surrounding circumstances to be considered.<sup>[2]</sup> A trademark is confusing with another if its use is likely to cause the average consumer to wrongly believe that the goods or services associated with the trademarks originate from the same source.

In practice, the confusion analysis is applied holistically, with the facts in evidence bearing on the weight applied to the various surrounding circumstances. For example, the degree of resemblance between the trademarks is often the threshold question, but differences in the nature of the goods or services may mitigate the possibility of confusion.

The most common defences to infringement claims are to claim that the registration is invalid (whether in its entirety or with respect to the specific goods and services for which infringement is alleged), that the impugned trademark has not been used in accordance with section 4 or that the impugned trademark and associated goods and services are distinct from those listed in the registration.

### Passing off

Passing off protects against the misappropriation of another's goodwill or reputation in the marketplace through public deception and is a claim that may be based on registered and unregistered rights. If your business has only unregistered trademark rights to assert, expect passing off to be the central point of discussion with counsel.

### Tort of passing off

Passing off requires proof of three elements:

1. the existence of goodwill
2. a deception of the public due to a misrepresentation

3. actual or potential damage to the plaintiff<sup>[3]</sup>

**Goodwill** refers to the reputation and drawing power of a given business in the marketplace,<sup>[4]</sup> and "connotes the positive association that attracts customers towards its owner's wares or services rather than those of its competitors."<sup>[5]</sup> Passing off is based on unlawfully trading on another's goodwill or reputation through misrepresentations. When assessing the existence of goodwill, courts may consider a variety of factors, including inherent and acquired distinctiveness, length of use, surveys, volumes of sales and the extent and duration of advertising and marketing.<sup>[6]</sup> Importantly, the tort of passing off only protects goodwill within the geographic area in which it was acquired (i.e., where the trademark was used).<sup>[7]</sup>

**Misrepresentation** may occur where another party represents any of the following:

1. that its goods, services or business are those of the claimant
2. that its goods or services have been approved, authorized or endorsed by the claimant
3. that there is a business connection of some kind between the parties<sup>[8]</sup>

While motive may be a significant factor where evidence shows the misrepresentation was intentional,<sup>[9]</sup> the absence of bad faith or an intention to deceive the public is not a defence.<sup>[10]</sup>

**Damage** may arise from actual or potential loss of sales or from harm to reputation or goodwill. Damage cannot be presumed.<sup>[11]</sup> The claimant must demonstrate with evidence actual or likely damage to the claimant resulting from the other's conduct. In cases where the parties are direct competitors, courts will often infer a likelihood of loss of sales.<sup>[12]</sup> Courts may also infer damage where the other's goods or services are markedly inferior in quality to the claimant's,<sup>[13]</sup> or from a loss of control over reputation, image or goodwill as a result of the other's actions.<sup>[14]</sup>

## Section 7(b) passing off

Section 7(b) of the *Trademarks Act* is the statutory codification of the tort of passing off.<sup>[15]</sup> Section 7(b) is narrower in scope than the tort, which can cover a broader range of actionable conduct not strictly limited to trademarks *per se* and not subject to the technical requirements of the *Trademarks Act*. However, a significant advantage is that a section 7(b) claimant can proceed in the Federal Court and obtain a nationwide injunction, while a claim for common law passing off must be brought in a provincial superior court.

While the analysis under section 7(b) shares the three-part test with the tort, these important differences arise:<sup>[16]</sup>

- The claimant must prove possession of a "valid and enforceable trademark"<sup>[17]</sup> at the time the other party first began directing public attention to its own goods and services.<sup>[18]</sup>
- The other party must have used the impugned trademark within the meaning of the *Trademarks Act*,<sup>[19]</sup> as addressed in a previous Update. This limits the scope of conduct covered by section 7(b) passing off and may exclude conduct which would otherwise be actionable under the tort of passing off, such as adopting the same visual characteristics of a product or its packaging (commonly known as a "get up" or "trade dress") as that of a competitor.<sup>[20]</sup>
- Regarding misrepresentation, a section 7(b) claimant must prove that there is a likelihood of confusion as defined under section 6 of the *Trademarks Act* (as discussed above regarding section 20 infringement).<sup>[21]</sup> Thus, only misrepresentation likely to cause the average consumer to wrongly believe that the other's goods or services originate from the claimant is actionable under section 7(b).

## Passing off by substitution – section 7(c)

Section 7(c) of the *Trademarks Act* prohibits any person from passing off other goods or services as and for those ordered or requested. Whereas section 7(b) addresses misrepresentations made with respect to one's goods, services or business, section 7(c) addresses situations where a consumer orders or requests a specific good or service and the seller substitutes that good or service with another. An example of this type of passing off is the sale of counterfeit goods advertised as being genuine.

## Depreciation of goodwill

A claim for depreciation of goodwill may only be brought by a registered trademark owner. Section 22 of the *Trademarks Act* prohibits any person from using another's registered trademark in a manner that is likely to have the effect of depreciating the value of the

goodwill attached to that trademark.<sup>[22]</sup>

There are four required elements to prove a section 22 claim:<sup>[23]</sup>

1. **Use of the registered trademark:** Use must be in association with goods and services, not necessarily goods and services competitive with those of the claimant. Use need not be "as a trademark" (in the sense of being used for the purpose of distinguishing goods and/or services from another),<sup>[24]</sup> and may be use of a trademark "sufficiently similar" or "so closely akin" to the registered trademark (as distinct from "confusion" as required in the case of section 20 infringement or passing off).<sup>[25]</sup>
2. **Significant goodwill:** The claimant's registered trademark must be sufficiently well known to have significant goodwill attached to it. While an evaluation of the existence of goodwill involves the same considerations described above with respect to passing off, they are considered for different purposes: for a section 22 claim, the distinctiveness and reputation are considered when assessing the capability of that goodwill to depreciate.<sup>[26]</sup>
3. **Linkage:** The claimant's trademark must be used in a manner likely to have an effect on the goodwill.<sup>[27]</sup> Linkage may be established by demonstrating use of a trademark in a manner that is likely to evoke a mental association of the two marks in a "relevant universe of consumers"<sup>[28]</sup> who are interested in purchasing the relevant goods or services and are "somewhat hurried".<sup>[29]</sup> Linkage may be inferred in some cases where there is a high degree of similarity between the marks.<sup>[30]</sup>
4. **Depreciation:** The likely effect of the trademark use must be to depreciate the value of its goodwill (i.e., damage). Depreciate means to "lower the value of" or to "disparage, belittle, underrate".<sup>[31]</sup> While disparagement is one possible form of depreciation, depreciation may also result when a mark is bandied about by different users (sometimes referred to as "dilution");<sup>[32]</sup> where there is blurring of the brand image evoked by the trademark or its positive associations;<sup>[33]</sup> where there is a whittling away of a trademark's power to distinguish the products and/or services of the owner and attract consumers;<sup>[34]</sup> or where the owner loses the ability to control the manner in which the trademark is used.<sup>[35]</sup> False, misleading or deceptive statements and advertising

The *Trademarks Act*, *Competition Act* and *Food and Drug Regulations* contain other provisions that prohibit false or misleading statements made about competitors; false or misleading representations in promoting the supply or use of a product; and false descriptions of goods or services, including specific provisions relating to a food, drug or medical device. Whether a statement, representation or advertisement is false, misleading or deceptive is ultimately a question of fact, with caution warranted by the person making the statement if the veracity is unknown.

Section 7(a) of the Trademarks Act

Section 7(a) of the *Trademarks Act* states that "no person shall make a false or misleading

statement tending to discredit the business, goods or services of a competitor". Such a statement need not be made with knowledge of their falsehood or with malicious intent.<sup>[36]</sup> In addition to meeting the requirements of the provision, the claimant must also prove damages resulting from the statement.<sup>[37]</sup> The provision may be engaged where false or misleading statements are made about a competitor in the course of comparative or other advertising, where the competitor is identified by trademark, trade name or otherwise.

False allegations made publicly that a competitor has infringed an intellectual property right may also be contrary to section 7(a) (even if the falsity of the allegation may not be established until later, such as after a court finding that the IP right is invalid). Unproven statements made to a competitor's distributor, business partner or customers may be particularly risky.<sup>[38]</sup>

### Competition Act provisions

In addition to the *Trademarks Act* provisions, litigants may also seek monetary relief under section 52 of the *Competition Act*, where a person, for the purpose of promoting the supply or use of a product or a business interest, knowingly or recklessly makes a representation to the public that is false or misleading in a material respect.<sup>[39]</sup> Although similar to section 7(a) of the *Trademarks Act*, section 52 of the *Competition Act* is not limited to statements about a competitor and therefore covers a broader scope of actionable conduct.

Recent amendments to the *Competition Act* will also allow a private party to seek leave from the Competition Tribunal to challenge a deceptive marketing practice under section 74.1 of the *Competition Act*.

### False, misleading or deceptive advertising of food, drugs and devices

When advertising food, drugs and medical devices, additional vigilance is required. Section 5 of the *Food and Drugs Act* prohibits, among other things, labelling, packaging, selling or advertising of food in a manner that is false, misleading or deceptive or is likely to create an erroneous impression regarding its character, value, quantity, composition, merit or safety.<sup>[40]</sup> Sections 9 and 20 of the *Food and Drugs Act* provide similar prohibitions with respect to drugs and medical devices.<sup>[41]</sup> When operating in these spaces, special attention should be paid to the potential perceived meaning of the trademarks selected for use in association with such highly regulated products, particularly if the trademark references the character, value, quality, composition, merit or safety of the product. While there are no private rights of action for contraventions of the *Food and Drugs Act*, the Minister of Health has broad enforcement powers.

### Key takeaways for businesses

Knowing the basis of trademark and unfair competition claims, particularly when combined with sound advice from trademark counsel, can help to avoid missteps leading to legal liability and potential lawsuits and to recognize the difference between serious and spurious allegations.

Solid trademark knowledge and advice can also increase confidence when moving forward with a genuine legal claim to protect your business's valuable trademark assets, reputation and accumulated goodwill.

While enforcement or defence strategy will ultimately depend on the facts and postures taken by the parties, the following should be top of mind:

- Both registered and unregistered trademark rights can form a valid basis for trademark litigation. Ignoring a third party's trademark rights, whether acquired through adoption, use or registration, invites peril.
- Registered trademark rights provide the broadest protection and enable access to claims for infringement and depreciation of goodwill, with national scope. So long as they are valid, registered rights also act as an absolute defence against infringement and passing off.
- Conversely, unregistered trademark rights are limited to the geographical area where they have been adopted and used, must be founded on evidence of such use and are more challenging to use as a shield against others' claims for infringement and passing off.
- In advertising, obtain advice from counsel before using a competitor's trade name, trademarks (or names and marks that may be confusingly similar) or language suggestive of or otherwise identifying a competitor, their business or their goods and services. Such use could constitute trademark infringement, passing off or depreciation of goodwill. If the usage is false, misleading or deceptive, it may run afoul of the *Trademarks Act*, *Competition Act* or *Food and Drugs Act*.

For assistance in navigating the nuances of trademark enforcement in Canada, please contact a member of Osler's Intellectual Property Disputes group.

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[1] *Trademarks Act*, s. 19; *Loblaw Inc. v. Columbia Insurance Company*, [2019 FC 961](#), at para. 34, aff'd 2021 FCA 29.

[2] *Trademarks Act*, s. 6(2) and (5); *Masterpiece Inc. v. Alavida Lifestyles Inc.*, [2011 SCC 27](#), at para. 40, restating the test pronounced in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, [2006 SCC 23](#), at para. 20: "The test to be applied is a matter of first impression in the mind of a casual consumer somewhat in a hurry who sees the [mark], at a time when he or she has no more than an imperfect recollection of the [prior] trade-marks, and does not pause to give the matter any detailed consideration or scrutiny, nor to examine closely the similarities and differences between the marks".

[3] *Kirkbi AG v. Ritvik Holdings Inc.*, [2005 SCC 65](#), at paras. 66–69.

[4] *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [\[1992\] 3 SCR 120](#), at 134.

[5] *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, [2006 SCC 23](#), at para. 50.

[6] *Sandhu Singh Hamdard Trust v. Navsun Holdings Ltd.*, [2019 FCA 295](#), at para. 48.

[7] See, e.g., *Quality Program Services Inc v. Canada*, [2018 FC 971](#), at para. 61, aff'd [2020 FCA 53](#).

[8] *National Hockey League v. Pepsi-Cola Canada Ltd.*, [1992 CanLII 2324 \(BC SC\)](#), aff'd [1995 CanLII 2102 \(BC CA\)](#).

[9] See, e.g., *Orkin Exterminating Co. Inc. v. Pestco Co.*, [1985 CanLII 157 \(ON CA\)](#); *Jerusalem Restaurant Ltd. v. Jerusalem Food Processing & Packaging Co. Ltd. et al.*, [1985 CanLII 6436 \(ON](#)

SC).

[10] *Triple Five Corporation v. Walt Disney Productions*, [1994 ABCA 120](#), at para. 54.

[11] *C.W. Parsons Ltd. v. Parsons Paving Ltd.*, [2019 FC 458](#), at para. 70.

[12] *Group III International Ltd. v. Travelway Group International Ltd.*, [2017 FCA 215](#), at para. 84.

[13] See, e.g., *Jerusalem Restaurant Ltd. v. Jerusalem Food Processing & Packaging Co. Ltd. et al.*, [1985 CanLII 6436 \(ON SC\)](#).

[14] *Sadhu Singh Hamdard Trust v. Navsun Holdings Ltd.*, [2016 FCA 69](#), at para. 31.

[15] See, e.g., *Cheung v. Target Event Production Ltd.*, [2010 FCA 255](#), at para. 20.

[16] *Kirkbi AG v. Ritvik Holdings Inc.*, [2005 SCC 65](#), at paras. 3 and 26.

[17] Within the meaning of sections 2 and 4 of the *Trademarks Act*.

[18] *Sandhu Singh Hamdard Trust v. Navsun Holdings Ltd.*, [2019 FCA 295](#), at para. 39.

[19] *Positive Attitude Safety System Inc. v. Albion Sands Energy Inc.*, [2005 FCA 332](#), at paras. 31–33

[20] See, e.g., *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [\[1992\] 3 SCR 120](#).

[21] *Positive Attitude Safety System Inc. v. Albion Sands Energy Inc.*, [2005 FCA 332](#), at para. 30.

[22] *Trademarks Act*, s. 22.

[23] *Veuve Clicquot Ponsardin v. Boutiques Clicquot Ltée*, [2006 SCC 23](#), at para. 46.

[24] *Energizer Brands, LLC v. Gillette Company*, [2023 FC 804](#), at para. 89; *Toys "R" Us (Canada) Ltd. v. Herbs "R" Us Wellness Society*, [2020 FC 682](#), at para. 53.

[25] *Veuve Clicquot Ponsardin v. Boutiques Clicquot Ltée*, [2006 SCC 23](#), at para. 38 (where “sufficiently similar” means “to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the appellant’s mark); *Venngo Inc v. Concierge Connection Inc (Perkopolis)*, [2017 FCA 96](#), at para. 13 (where the use of the mark is “so closely akin” to the registered trademark so as to be understood as the other party’s mark).

[26] *Sandhu Singh Hamdard Trust v. Navsun Holdings Ltd.*, [2019 FCA 295](#), at para. 48.

[27] *Veuve Clicquot Ponsardin v. Boutiques Clicquot Ltée*, [2006 SCC 23](#), at para. 56.

[28] *Techno-Pieux Inc. v. Techno Piles Inc.*, [2023 FC 581](#), at para. 87.

[29] *Techno-Pieux Inc. v. Techno Piles Inc.*, [2023 FC 581](#), at para. 88.

[30] *Bean Box, Inc. v. Roasted Bean Box Inc.*, [2022 FC 499](#), at para. 66.

[31] *Veuve Clicquot Ponsardin v. Boutiques Clicquot Ltée*, [2006 SCC 23](#), at para. 63.

[32] *Veuve Clicquot Ponsardin v. Boutiques Clicquot Ltée*, 2006 SCC 23, at para. 63.

[33] *Techno-Pieux Inc. v. Techno Piles Inc.*, 2023 FC 581, at para. 91.

[34] *Techno-Pieux Inc. v. Techno Piles Inc.*, 2023 FC 581, at para. 91.

[35] *1196278 Ontario Inc (Sassafras) v. 815470 Ontario Ltd (Sassafras Coastal Kitchen & Bar)*, 2022 FC 116, at para. 102.

[36] *S. & S. Industries Inc. v. Rowell*, [1966] SCR 419 (SCC), at 424.

[37] *Enterprise Rent-A-Car Co. v. Singer* (1996), 66 C.P.R. (3d) 453 (FCTD) at 486–487; aff'd (1998), 79 CPR (3d) 45 (FCA).

[38] *Fluid Energy Group Ltd. v. Exaltexx Inc*, 2020 FC 81, at para. 49, where a competitor successfully obtained a pre-trial injunction putting a stop to the statements; *Excalibre Oil Tools Ltd. v. Advantage Products Inc.*, 2016 FC 1279, at paras. 29, 52, 280, aff'd 2019 FCA 121.

[39] *Competition Act*, s. 52, with reference to s. 36(1)(a), which allows for the private recovery of damages.

[40] *Food and Drugs Act*, s. 5.

[41] *Food and Drugs Act*, ss. 9 and 20.