



Trademark Litigation Review

2025

**Canada: Winning Strategies for
Litigating Before the Courts**

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The second edition of the WTR Trademark Litigation Review casts an expert eye on some of the most pressing issues facing those involved in litigation on both sides of the divide, blending analytic insight with on-the-ground expertise from the key regions of the Americas, the Asia-Pacific, and Europe, the Middle East and Africa.

Generated: August 22, 2024

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Canada: Winning Strategies for Litigating Before the Courts

Dominique Hussey and Melissa Dimilta

Bennett Jones

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IN SUMMARY

This chapter covers trademark litigation in Canada at a high level, including causes of action, remedies, evidence and defences.

1. Injunctions at a glance
 2. Legislative framework and causes of action
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 4. Damages and disgorgement
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REFERENCED IN THIS ARTICLE

1. Trademarks Act, RSC 1985, C T-13
 2. Competition Act, RSC 1985, C C-34
 3. Federal Courts Act, RSC 1985, C F-7
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INJUNCTIONS AT A GLANCE

Interlocutory injunctions are available but rarely granted in trademark cases. The test for an interlocutory injunction is as follows:

- there is a serious issue to be tried;
- the plaintiff will suffer irreparable harm if the injunction is not granted; and
- the balance of convenience rests with the plaintiff.

Most interlocutory injunction motions fail because of an inability to establish irreparable harm. Courts have interpreted this part of the test to require demonstration of harm that cannot be compensated by a pecuniary payment. Permanent injunctions are almost always granted after a full hearing and a finding of infringement.

Payment of a security or deposit is not necessary to secure an injunction. However, the plaintiff is required to give an undertaking as to damages, meaning that if it ultimately loses at trial, it may be forced to pay the damages incurred by the other party as a result of the injunction.

Registered trademark owners can file a request for assistance with the Canada Border Services Agency whereby the agency would detain suspected counterfeit goods at the border.

LEGISLATIVE FRAMEWORK AND CAUSES OF ACTION

Canada has a robust system of trademark enforcement with several available causes of action for an aggrieved owner.

The Trademarks Act provides for the registration of trademarks and the enforcement of registered and unregistered rights. Common law rights accrue to owners of unregistered trademarks used in Canada. Under common law, these rights are limited to the geographic area where the trademark has been used. Common law rights alone can be the foundation of what is sometimes informally referred to as an infringement claim, but is really the claim of passing off.

In addition to infringement and passing off, the Trademarks Act also permits a plaintiff to sue for:

- false and misleading statements that tend to discredit the business, goods or services of a competitor;
- descriptions of goods that are materially false and mislead the public as to their character, geographic origin or mode of manufacture; and
- with respect to a registered trademark only, depreciation of goodwill.

The Competition Act prohibits the promotion of a product through the making of a representation that is false or misleading in a material respect. This provision is typically asserted in conjunction with other causes of action under the Trademarks Act. There are Criminal Code provisions relating to the forgery of trademarks and counterfeiting. Breach of the Criminal Code is litigated in a criminal court and not in the context of a civil case.

Proceedings for trademark infringement, at least in the Federal Court, can proceed in one of two ways. The first is an action, which involves detailed pleadings, documentary and oral discovery, and a trial with live witnesses. This process can take about two to three years. Alternatively, a plaintiff may proceed by way of application. An application is a summary procedure that involves more limited pleadings, affidavit evidence, cross-examination and a hearing on a paper record. An application can proceed from the originating document to a final determination in less than a year, but with court-granted extensions it may take more than a year. In both types of proceedings, parties may seek a bifurcation order postponing the hearing or trial on damages until after the hearing or trial on liability.

INFRINGEMENT

To establish infringement of a registered trademark, the plaintiff must prove a likelihood of confusion. While the court may consider a wide range of factors in assessing this, resemblance in appearance, sound and idea suggested by the trademarks at issue is often the paramount consideration. In the absence of resemblance, confusion is unlikely.

DEPRECIATION OF GOODWILL

To establish depreciation of goodwill, the plaintiff essentially must prove that its registered trademark:

- was used by the defendant in connection with goods or services;
- is sufficiently well known to have significant goodwill attached to it; and
- was used in a manner that is likely to depreciate the value of goodwill in that trademark.

Each of these steps must be supported by evidence as opposed to inference.

PASSING OFF

To establish statutory passing off, the plaintiff must prove goodwill in the trademark at issue, misrepresentation (based on confusion) and actual damage. Again, each of these must be supported by evidence as opposed to inference.

LITIGATION VENUE AND FORMATS

Court System And Litigation Venues

Canada has two separate court systems:

- the Federal Court, a court of federal jurisdiction that sits across Canada and issues rulings with national effect; and
- provincial or territorial superior courts, the jurisdiction of which is limited to the individual provinces and territories of Canada in which the court sits.

The subject matter jurisdiction of the Federal Court is specific and conferred by the Federal Courts Act and other federal statutes, such as the Trademarks Act. By contrast, the provincial superior courts are courts of general jurisdiction.

The Federal Court and provincial superior courts have concurrent jurisdiction for most trademark disputes, including trademark infringement and passing off. Where a dispute is based on tortious activity, such as common law passing off that does not involve a trademark (eg, a business name), only the provincial superior courts have jurisdiction to hear the matter.

Forum Shopping

While the above-mentioned courts have concurrent jurisdiction for most trademark disputes, the Federal Court continues to hear most of these cases. The Federal Court's popularity is driven by its subject matter expertise, comprehensive remedies and national effect.

Only the Federal Court has jurisdiction to invalidate and expunge trademarks. Orders of the Court are made against the subject itself (ie, the trademark) and not just between the parties. The Court's jurisdiction extends to all provinces and territories. An order of a provincial superior court, by contrast, is enforceable only in that province. The benefit of the Federal Court's national jurisdiction is obvious in cases that involve infringing activities in more than one province. In these circumstances, commencing a single proceeding in the Federal Court is the more efficient way of obtaining injunctive and monetary relief against the infringer. Finally, the Federal Court process may benefit from longer limitation periods.

No Juries

Trademark disputes in Canada are heard before a judge without a jury. Juries do not exist in the Federal Court. Juries in the provincial superior courts are typically confined to criminal matters or limited types of civil disputes (eg, libel and personal injury matters).

ALTERNATIVE DISPUTE RESOLUTION

Alternative dispute resolution (ADR) procedures are available to resolve trademark disputes. Private mediation and arbitration services are offered throughout Canada and may be employed if the parties agree or if they are contractually bound to do so.

In some jurisdictions in Canada, ADR may be required before an action can proceed to trial. The Federal Court's Rules encourage mediation by requiring that the parties discuss and be prepared to discuss the possibility of referring unsettled issues to a dispute resolution conference within 60 days of the close of pleadings and at a mandatory pretrial conference that takes place before a judicial officer. Other resolution proceedings, such as a neutral evaluation of a case by a judge of the Court who is not seized of the matter, are also available from the Federal Court.

DAMAGES AND DISGORGEMENT

Damages

A successful plaintiff can elect between damages (its losses arising from the infringing sales) and an accounting and payment of the defendant's profits. Damages are available as of right and profits are an equitable remedy that may be refused at the court's discretion. Damages intend to put the plaintiff into the position it would have been but for the act of infringement. By contrast, an accounting of profits is not meant to compensate for injury but to remove the benefits the wrongdoer has made as a result of the infringement.

If a plaintiff can prove that it would have made the sales otherwise made by the infringer, it will likely be awarded its profit margin on those sales. Other circumstances may attract a reasonable royalty. In general, proving damage can be difficult in trademark litigation cases. This is especially true if the defendant refuses to participate in the litigation, which is common in counterfeiting cases. In such circumstances, the Federal Court has indicated that an award of nominal damages, multiplied per act of infringement, is reasonable and proper. The Court has been clear that difficulty in assessing damages does not mean that they will not be awarded.

Recently, the Supreme Court of Canada has confirmed that an accounting of profits requires an infringer to disgorge all the profits it made that are "causally attributable" to the infringement. An accounting of profits assessment requires the plaintiff to first prove the actual profits the infringer made by selling the infringing product and then the defendant to prove its expenses offsetting such gross profits.

Punitive damages may be awarded where an infringer's conduct is outrageous; a punitive award based on intentional infringement alone is rare. A successful plaintiff will be awarded part of its costs, which include both fees paid to lawyers and disbursements incurred.

Available Remedies

Interlocutory injunctions are rarely granted in trademark cases. The test for an interlocutory injunction is as follows:

- there is a serious issue to be tried;
- the plaintiff will suffer irreparable harm if the injunction is not granted; and
- the balance of convenience rests with the plaintiff.

Most interlocutory injunction motions fail because of an inability to establish irreparable harm. Courts have interpreted this part of the test to require demonstration of harm that cannot be compensated by a pecuniary payment. However, recent authorities suggest that the Federal Court may be more willing to grant interlocutory injunctions and relax the

threshold for satisfying the irreparable harm prong of the test compared to past applications of the test.

Permanent injunctions are almost always granted after a full hearing and a finding of infringement.

An order compelling the defendant to deliver up all infringing merchandise to the plaintiff will generally be granted as a matter of course. The court also has the discretion to order that equipment used to produce the infringing goods, packaging, labels or advertising material be destroyed.

EVIDENCING THE CASE

Investigations And First Steps

Investigations, such as trademark use and marketplace investigations, are important in Canadian trademark disputes for three reasons:

- Canada is a first-to-use jurisdiction;
- use is necessary for maintaining and enforcing trademark rights; and
- uses of similar trademarks by third parties, or a lack thereof, can weaken or strengthen a brand owner's case.

While use is not required to obtain trademark registration, Canada remains a first-to-use jurisdiction. Therefore, to determine rights, it is critical to any trademark dispute to assess the first use dates and scope of use of each party. Marketplace use investigations are even more critical now because trademark applications no longer disclose information on the use status of a particular mark. Trademark use is central to the maintenance and enforcement of rights in Canada.

Third-party uses of similar marks in the marketplace can narrow the ambit of protection of a brand owner's mark. Therefore, it is important for brand owners to conduct routine market investigations to monitor and police third-party uses. This is no less important before commencing litigation against a potential infringer, because asserting a weak mark in aggressive litigation may result in counterattacks and unfavourable decisions for future enforcement efforts. Investigations should be conducted before and during litigation.

Survey Evidence

Litigants in trademark disputes need not expend extensive resources to file consumer survey evidence on the issue of confusion. The Supreme Court of Canada has stated that survey and expert evidence should be admitted sparingly and only when it is beyond the experience of the court to decide on issues of confusion. This means that a brand owner now may encounter fewer economic obstacles before pursuing infringers than they once did.

Use Of Expert Witnesses

Expert evidence may be tendered in trademark proceedings involving registrability issues (eg, opposition and expungement proceedings). When assessing the suitability of potential expert witnesses, it is important to ascertain that they had the relevant expertise at the relevant date.

AVAILABLE DEFENCES

Liability

The plaintiff bears the burden of proving infringement, passing off and depreciation of goodwill on a balance of probabilities. A defendant can therefore defend, in each case, against each cause of action on the basis either that the plaintiff has not met its burden of proof or that the defendant has marshalled sufficient evidence to the contrary. Where the plaintiff fails to meet its burden on any part of the tests applied to passing off or depreciation of goodwill, the defendant will prevail.

In infringement and passing-off actions, the most common defence is absence of a likelihood of confusion. In infringement proceedings, provided that the use in question does not depreciate the goodwill attached to the registrant's marks, use of a personal name as a trade name and use of the geographical name of a place of business or of any accurate description of the character or quality of goods or services are also defences, as is mere use of a utilitarian feature embodied in a trademark.

A defendant can also defeat allegations of trademark infringement, passing off and depreciation of goodwill by alleging, by way of defence or in a counterclaim, that the asserted trademark is invalid or void ab initio. The burden of proving invalidity on a balance of probabilities rests with the defendant. A defendant can defeat a passing-off case involving an unregistered sign by proving that the sign in question is not a trademark or that the plaintiff has not established goodwill in the trademark.

Broadly, a trademark registration can be invalidated if:

- the trademark was never registrable;
- the trademark has lost distinctiveness;
- the trademark was abandoned intentionally;
- the applicant was not entitled to register the trademark;
- there was a material misrepresentation in the prosecution of the trademark; or
- the application was filed in bad faith.

Damages

The Federal Court of Appeal recently has affirmed that owning a trademark registration is an absolute defence to a requirement to pay damages or disgorge profits during the period of registration. This defence stands even if the registration is later invalidated, unless it was void ab initio.

In addition to defences on liability, therefore, a defendant may have recourse to a defence against owing damages where the infringing activities involve a defendant's use of its own registered, but infringing, trademark.

Appeals Process

All decisions of the registrar of trademarks may be appealed, as of right, to the Federal Court within two months of the date on which the decision was dispatched. These decisions include refusals to register a trademark, cancellation of a trademark and decisions in opposition proceedings (including the decision not to reject an opposition where it did not raise a substantial issue for decision).

The appeal is effected by filing a notice of application with the registrar of the Federal Court. On appeal, additional evidence may be filed without leave and the court may substitute its decision for the registrar's decision, without deference, if the new evidence is materially different from that before the registrar. If no new evidence is filed, the appeal is not a new hearing, as the original record before the registrar remains the record before the court. The decision will be set aside if it is demonstrably unreasonable.

An appeal from an action or application heard by the Federal Court of Canada, at first instance or otherwise, is appealable as of right to the Federal Court of Appeal. The appellant must file, within 30 days of the pronouncement of judgment or determination appealed from, a notice of appeal setting out the grounds of appeal. Only with leave and in rare instances may additional evidence be filed on appeal. On issues of law, the Federal Court is not entitled to deference. The Federal Court of Appeal can overturn a finding of fact only if the Federal Court judge made a palpable and overriding error with respect to that finding.

With leave, the losing party can appeal an order of the Federal Court of Appeal to the Supreme Court of Canada, but only on issues of national importance.



Dominique Hussey
Melissa Dimilta

husseyd@bennettjones.com
dimiltam@bennettjones.com

3400 One First Canadian Place, PO Box 130, Toronto ON M5X 1A4, Canada

Tel: +1 416 863 1200

<http://www.bennettjones.com>

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