

## Federal Court Weighs in on Comparative Advertising Claims

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A notable decision of the Federal Court of Canada in [Energizer Brands, LLC v. Gillette Company, 2023 FC 804](#) has dealt with the use of comparative performance claim labels and stickers on product packaging. It considered whether the claims made depreciated trademark goodwill, and, as well, were deceptive, false or misleading in violation of certain unfair competition provisions of the *Trademarks Act* as well as of the *Competition Act*.

Justice Fuhrer of the Federal Court found that certain statements on Duracell’s packaging using Energizer’s ENERGIZER and ENERGIZER MAX trademarks were likely to depreciate Energizer’s goodwill in its registered trademarks, and thus awarded Energizer an injunction against Duracell prohibiting the use of Energizer’s marks, together with damages in the amount of \$179,000. Other statements not using the marks, but using the “bunny brand”, were not found to depreciate, owing to a lack of evidence of consumer reaction to the “bunny brand” use.

### Background

The dispute between Energizer (the owner of the ENERGIZER marks) and Duracell (the Gillette Company, the owner of the DURACELL mark) centered around certain comparative advertising claims found on labels and stickers affixed to DURACELL battery packaging that bore the statements: “15% LONGER LASTING vs. Energizer”; “UP TO 15% LONGER LASTING vs. ENERGIZER MAX”; “Up To 20% LONGER LASTING vs. the bunny brand”; and “Up to 15% longer lasting vs. the next leading competitive brand”.

Section 22 of the *Trademarks Act*<sup>1</sup> provides that “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.” To succeed in a claim for depreciation of goodwill, a plaintiff must meet the following four-part conjunctive test as described by the Supreme Court of Canada in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*:<sup>2</sup>

1. its registered trademark was used by the defendant with goods or services, regardless of whether they are competitive with those of the plaintiff;
2. its registered trademark is sufficiently well known to have a significant degree of goodwill attached to it, although there is no requirement that the trademark be well known or famous;

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<sup>1</sup> R.S.C., 1985, c. T-13.

<sup>2</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23 (CanLII), [2006] 1 SCR 824, at para 46.

3. the defendant's use of the trademark was likely to have an effect on that goodwill (in other words, there was a linkage); and
4. the likely effect is to depreciate or cause damage to the value of the goodwill.

In this case, satisfying the second test element, both parties accepted that the ENERGIZER trademarks were well known, if not famous and significant goodwill resided in them.

Justice Fuhrer noted that the "use" as required by section 22 was aligned with the manner of use contemplated in section 4 of the *Trademarks Act*. However, such use does not necessarily have to be employed for the purpose of distinguishing the owner's products or services from others (i.e., "non-confusing use").<sup>3</sup>

Duracell's display of the registered trademarks ENERGIZER and ENERGIZER MAX on the sticker labels of Duracell batteries constituted section 4 non-confusing use. As to whether the use was likely to have an effect on the goodwill and to depreciate or cause damage to its value, Justice Fuhrer noted that the "purpose of putting the Energizer Trademarks on the packaging was to promote the sale of DURACELL batteries by suggesting to consumers that they would get a better result using Duracell's batteries in the hope of getting a part of the market enjoyed by Energizer".<sup>4</sup> This was a clear example of a trademark owner's trademark being "bandied" about, resulting in lost control for the owner and lesser distinctiveness.

Furthermore, in *Clairol International Corp. et al v. Thomas Supply and Equipment Co*, the Exchequer Court of Canada had already established that damage to goodwill can occur through the reduction of the esteem in which a registered trademark is held, arising from the direct persuasion and enticing of a company's customers who could otherwise be expected to buy or continue to buy the registered trademark owner's products if it wasn't for the third-party statement mentioning the registered trademark.<sup>5</sup>

Following the *Clairol* decision, Justice Fuhrer found Duracell's use of the comparative advertising stickers with the ENERGIZER marks depreciated the goodwill of Energizer's trademarks for the express purpose of taking away custom enjoyed by Energizer and persisted in it.<sup>6</sup>

With respect to the comparative performance advertising claim "Up To 20% LONGER LASTING vs. the bunny brand", Justice Fuhrer found that while the phrase "the bunny brand" was capable of evoking an image of a bunny that functions as a trademark (that is, Energizer's iconic ENERGIZER bunny, subject to several trademark registrations),<sup>7</sup> hurried consumers were

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<sup>3</sup> *Energizer Brands, LLC v. Gillette Company*, 2023 FC 804 at para 89 [*Energizer Brands*].

<sup>4</sup> *Ibid*, at para 143.

<sup>5</sup> *Clairol International Corp. et al v. Thomas Supply and Equipment Co. et al*, 1968 CanLII 1280, [1968] 2 Ex CR 552 (Ex. Ct.) [*Clairol*].

<sup>6</sup> *Energizer Brands*, *supra* note 3, at para 144, referring to *Clairol* at 576.

<sup>7</sup> *Ibid*, at para 148.

unlikely to pause long enough and think of Energizer's character when seeing this phrase. Consumers had to take an extra mental step or steps when confronted with the indirect phrase "the bunny brand", as compared to the more direct trademarks, ENERGIZER and ENERGIZER MAX.<sup>8</sup> In the absence of any primary data or survey evidence of consumer reaction to Duracell's sticker mentioning the bunny brand<sup>9</sup>, Justice Fuhrer was unable to find a requisite link to support a section 22 claim. This finding suggests that survey evidence might be highly valuable to establish linkage, particularly in situations where registered trademarks are not directly used and/or shown in comparative advertising claims.

### False or Misleading Claims

With regard to whether the claims were deceptive, false or misleading, Justice Fuhrer found that the comparative advertising claims complied with the unfair competition (deceptive and false or misleading) provisions of the *Trademarks Act*, as well as section 52(1) of the *Competition Act*.<sup>10</sup>

Subsection 52(1) provides that "[n]o person shall, for the purpose of promoting ... the supply or use of a product ... knowingly or recklessly make a representation to the public that is false or misleading in a material respect." Justice Fuhrer adopted principles earlier articulated by the Supreme Court of Nova Scotia for determining what is false or misleading.<sup>11</sup> Justice Fuhrer also applied the findings of the Supreme Court of Canada on the general impression of an advertisement.<sup>12</sup>

The principles included that the general impression of the advertisement must be determined, in both its literal meaning and its context, the misleading advertising must be material in that it would have a pertinent, germane or essential effect upon a consumer's buying decision, and even advertisements which "push the bounds of what is fair" are not necessarily misleading in a material way.

Given that no primary data or a consumer survey about the general impression of the sticker claims were provided in evidence,<sup>13</sup> Justice Fuhrer relied on a common-sense approach and considered the battery testing evidence presented by both parties in assessing the performance claims, while noting that Energizer's battery testing expert did not have access to Energizer's testing data.

With respect to Duracell's sticker claiming "15% LONGER LASTING vs. Energizer on size 10, 13, and 312" for hearing aid batteries, Justice Fuhrer concluded that the lack of a disclaimer on

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<sup>8</sup> *Ibid*, at paras 155 and 156.

<sup>9</sup> *Ibid*, at para 157.

<sup>10</sup> R.S.C., 1985, c. C-34.

<sup>11</sup> *Distrimed Inc. v. Dispill Inc.*, 2013 FC 1043 at para 262, citing *Maritime Travel Inc v Go Travel Direct.Com Inc* (2008), 66 CPR (4th) 61, 2008 NSSC 163 at para 39, aff'd 2009 NSCA 42.

<sup>12</sup> *Richard v. Time Inc.*, 2012 SCC 8 at paras 57, 60, and 66-67.

<sup>13</sup> *Energizer Brands*, *supra* note 3, at para 184.

the sticker was significant in assessing whether it was misleading or unfair.<sup>14</sup> While Energizer argued the claim was untrue, Duracell's evidence suggested a reasonable basis for the claim; Justice Fuhrer accordingly did not find the sticker *per se* false or misleading in a material way,<sup>15</sup> particularly given the absence of any increased Duracell sales due to the sticker alone.

The literal claims of the remaining stickers were held by Justice Fuhrer to be clear and represented that DURACELL batteries would last "up to" the stated longevity.<sup>16</sup> The expert evidence presented by Duracell formed a reasonable basis to support the performance claims on the stickers, and thus the claims were not deemed false or misleading in a material respect. Further, the presence of disclaimers such as "up to" and "results vary by device and usage patterns" tempered consumer expectations in the circumstances. As there was a reasonable basis for Duracell to make the performance claims, the claims were not deemed to be false or misleading in a material respect, especially due to the absence of evidence showing a rise in Duracell's sales or lost sales for Energizer as a result of the stickers.

### Conclusion

This decision confirms the earlier *Clairol* decision and reinforces that the use of third-party trademarks in comparative advertising claims remains risky in Canada.

From the perspective of a party seeking to compare its products to those of a competitor, it needs to avoid bandying about its competitor's trademarks to minimize risk.

From the perspective of a trademark owner, faced with use - or an evocation - of one of its own trademarks by a competitor, this decision underscores the value of consumer reaction evidence to support allegations of depreciation of goodwill and false or misleading claims.

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<sup>14</sup> *Ibid*, at para 196.

<sup>15</sup> *Ibid*, at para 202.

<sup>16</sup> *Ibid*, at para 214.