

Bereskin &amp; Parr

# Canada

**Unregistered trademarks, trade names and other business signs are protected in Canada under the common law action of passing off. Although this grants unregistered rights extensive protection, passing off carries a heavy burden of proof**

Canada, a common law country, affords protection to both registered and unregistered trademarks and trade names, and other business signs – including logos, shapes and other non-traditional trademarks. The owner of an unregistered trademark, trade name or other sign may assert its rights not only over others: it may also rely upon these rights to prevent the registration by others of confusingly similar trademarks or the incorporation of similar names. However, as noted below, there are considerable advantages to registration, and wherever possible, consideration should be given as soon as possible to trademark registration. The following briefly addresses both the enforcement of an unregistered mark, as well as the impact of unregistered marks in opposition proceedings.

## Passing off

In Canada, the term ‘infringement’ is applied specifically to an action relating to a registered mark. Any claim involving an unregistered mark is referred to as a ‘passing off’ action. Passing off is a common law claim, which can be heard in any of the provincial courts; it is also codified in Section 7(b) of the Trademarks Act 1985. Conceptually, passing off can refer to activities beyond merely trademark/trade name use, such as unfair advertising or misappropriation of rights in names and personality, and many lawsuits involving registered rights also include passing off claims. A passing off action can be commenced in any of the provincial courts in Canada and, if it relates specifically to a trademark or trade name, in the Federal Court of Canada. The latter can issue an injunction that applies throughout the country. If the claim relates only to other unregistered business signs, including shapes or non-traditional trademarks, the provincial courts (of which there are 10, plus territorial courts) will have jurisdiction. This

is a significant issue, given the size of the country and the difficulties of having judgments of one provincial court enforced in others.

The key to a successful passing off claim in Canada is to demonstrate that the owner, or licensee, has acquired a reputation in the geographical area where it seeks to enforce its rights, either through use in Canada or, in some cases, use elsewhere accompanied by considerable spill-over advertising or promotion in Canada. While registration of a trademark gives its owner the exclusive right to use the mark throughout Canada regardless of where the business is carried on, unregistered marks are enforceable only where the mark, trade name or other indicia has become known. The onus will always be on the party seeking recourse to show that it has the necessary reputation or goodwill arising through sales, advertising or other promotional activities.

Originally, a passing off claim in Canada could be asserted only on the basis of actual use in Canada. However, the Ontario Court of Appeal held in 1985 that a foreign plaintiff with a demonstrable reputation and goodwill in Canada may assert rights against a Canadian user of a confusing mark (*Orkin Exterminating Co Inc v Pestco Co of Canada Ltd* ((1985) 5 CPR (3d) 433 (OCA)). In that case, the plaintiff demonstrated a reputation acquired through servicing Canadians with homes in the United States, and advertising and promotional activities to such customers at their Canadian residences. Others have since shown a reputation by significant spill-over advertising or other activities that make their marks well known in Canada without an actual business presence in this country. However, in most cases, a reputation without use in Canada will require considerable effort, and cost, to demonstrate.

Also, the relevant date for showing the acquisition of the necessary reputation leading to common law rights is the time the alleged infringer first started to use its mark. This can also lead to significant evidentiary difficulties.

Assuming it can meet the first hurdle of showing a reputation in the relevant

geographical area by the date applicable to any dispute, the owner of any unregistered rights must next demonstrate that there has been an unlawful misappropriation of its rights resulting in consumer deception or mistake. In the case of a trademark or trade name, such misappropriation will occur if there is use of a confusingly similar mark or name. If rights are asserted in other commercial signs, the improper use must be likely to result in consumer confusion or mistake. Confusion can arise both from an improper conclusion that:

- the goods or services are produced by the owner of the unregistered mark; or
- there is an affiliation between the owner of the known mark and an alleged infringer.

It could also include, as may be asserted in a grey goods case, the suggestion that the goods/services are of the same general standard or quality, or have the same attributes as those of an authorized distributor. The assessment of confusion in a passing off case is similar to that involving a registered mark, taking into consideration factors such as:

- inherent distinctiveness of the marks/names;
- the extent to which the marks/names are known;
- length of use;
- the nature of the goods, services and channels of trade; and
- the similarities in the marks or names.

The final component for common law passing off is damage: without evidence of a likelihood of damage, there can be no passing off. Damage can be in the form of lost profits, lost customers or lost market share, or can arise from the loss of control over the use of mark.

A recent case of passing off involving unregistered trademarks held that no rights can be asserted, and presumably no passing off will occur, unless there is ‘use’ by both the alleged owner and infringer as defined in the Trademarks Act. In *BMW Canada Inc v Nissan Canada Inc* ((2007) 60 CPR (4th) 181 (FCA)), BMW commenced an action alleging, among other things, passing off of its

unregistered trademarks M and M6. At trial the judge held that there had been passing off and Nissan appealed.

The Court of Appeal considered whether the evidence supported a finding that BMW had valid and enforceable rights in its M and M6 marks. It noted that in order to obtain trademark rights, BMW's alleged marks must have been used for the purpose of distinguishing its goods from those of others, as 'use' is defined in Section 4 of the Trademarks Act. In this case, there was no evidence that BMW actually used the M and M6 trademarks on its cars. The marks were displayed only in advertising. Such display does not amount to use. The Court of Appeal found:

- there was no evidence of use to conclude that the M and M6 marks are unregistered trademarks for the purposes of claiming passing off;
- there was no evidence before the trial judge demonstrating damage; and
- it was not open to the trial judge to presume damages in the absence of actual evidence on that point.

The appeal was therefore allowed.

In a similar vein, if an alleged trademark could not be registered due to a lack of inherent distinctiveness or other grounds, common law or unregistered rights cannot be asserted in such 'marks' in a statutory passing off claim brought in the Federal Court. For example, the Supreme Court of Canada has held that the doctrine of functionality applies equally to registered and unregistered trademarks. *Kirkbi AG v Ritvik Holdings Inc* ((2005) 43 CPR (4th) 385 (SCC)) involved the famous LEGO brick, which was copied, in all essential features, by a competitor. The evidence showed that the LEGO bricks had acquired the necessary reputation and also proof of some consumer confusion. However, the issue was whether the shape of the LEGO brick was:

- entitled to protection as a trademark so as to support a valid passing off claim in the Federal Court under Section 7(b) of the Trademarks Act; or
- merely functional.

The court concluded that there was no passing off because the LEGO brick design was functional and thus not a valid trademark.

An interesting, and unresolved, question is whether a passing off claim relying upon a mark brought in the provincial courts might succeed even though the subject matter of the complaint might not be registrable as a trademark.



**Cynthia Rowden**  
Partner  
[crowden@bereskinparr.com](mailto:crowden@bereskinparr.com)

Cynthia Rowden is a partner with Bereskin & Parr, a barrister and solicitor, and a registered trademark agent. She specializes in all areas of trademark and copyright law. Much of her practice relates to managing the trademark portfolios of large Canadian companies and the Canadian portfolios of international companies. She also handles internet-related IP issues, such as domain name and copyright content matters, and advertising issues arising from e-commerce.



**Megan Langley Grainger**  
Associate  
[mlangleygrainger@bereskinparr.com](mailto:mlangleygrainger@bereskinparr.com)

Megan Langley Grainger is an associate lawyer with Bereskin & Parr. Her practice focuses on trademarks, related litigation, and marketing and advertising law. Prior to attending law school, Ms Langley Grainger spent several years gaining valuable industry experience in the field of consumer packaged goods marketing while managing national brands.

While a court may order the same remedies in a passing off action as in an infringement action involving a registered mark, such as an injunction, monetary damages and costs, owners of unregistered trademarks suffer a number of impediments. As noted above, the starting point of all passing off actions is the demonstration of the required reputation in the relevant geographical area, as of the pertinent date. That is an initial evidentiary burden not required of registered trademark owners. Owners of unregistered marks cannot take advantage of the provision deeming there to be infringement by unauthorized use of a registered mark on the same goods/services as covered by the registration (Section 19). Similarly, a claim of depreciation of goodwill, as set out in Section 22 of the act, is available only for misuse of a registered trademark. There are also undeniable psychological advantages in relying upon a government-issued registration. The bottom line is that enforcement will be easier, cheaper and probably faster with a registration.

#### Opposition proceedings

In Canada, owners of both unregistered trademarks and trade names may oppose an application for registration of a confusingly similar mark, relying upon previous use in Canada or use elsewhere that has resulted in the mark/name becoming well known in a significant region of the country. Even without meeting the threshold of showing that a mark has become well known, if the use/advertising of the unregistered mark/trade name is significant, it may be used to challenge both the entitlement of an applicant to register its mark, and the distinctiveness of the applied-for mark.

Unregistered trademarks are frequently relied upon in opposition cases, often in association with registered trademarks. What matters is not so much the status of the rights relied upon (ie, registered or unregistered) as the quality of the evidence introduced by the opponent to show that its mark/name has been used or made known in Canada. The issues of 'use' and valid 'marks', noted above, will apply equally in opposition proceedings. [WTR](#)