

# Making the most of passing-off protection

While registration brings a number of advantages, brand owners in Canada can utilise the action of passing off to protect unregistered rights

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. Such unregistered rights are protected under the common law action of passing off. The owner of an unregistered trademark, trade name or other sign may not only assert its rights over others; it may also rely on 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.

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, which can refer to activities beyond merely trademark or trade name use, such as trade dress copying, unfair advertising or misappropriation of rights in names and personality. 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. Section 7(b) of the Trademarks Act codifies passing off; however, if the claim relates only to unregistered business signs, domain names or non-traditional trademarks, the provincial courts will have jurisdiction. This is a significant issue, given the difficulties of having judgments of one provincial court enforced in others.

Section 7(b) provides that no party shall "direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada" between its wares, services or business and those of another. Stated simply, the common law tort of passing off

prevents one from misrepresenting one's goods or services as those of another party, or as sponsored by or associated with another party. Generally speaking, there are three necessary elements to a passing-off action involving a trademark:

- the existence of goodwill or a reputation in the trademark;
- deception of the public due to a misrepresentation; and
- actual or potential damage to the plaintiff.

A similar civil cause of action is available in Quebec under Article 1457 of the Quebec Civil Code. Misrepresentation may exist even if the defendant did not intend to deceive.

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, through either use in Canada or, in some cases, use elsewhere accompanied by considerable spillover advertising or promotion in Canada. The onus will always be on the party seeking recourse to show that it has the necessary reputation or goodwill. While registration of a trademark gives its owner the exclusive right to use the mark throughout Canada regardless of where the business is conducted, unregistered marks are enforceable only where the mark, trade name or other indicia has become known. A plaintiff's goodwill extends only to the specific wares or services in association with which the trademark has been used.

Canadian courts have occasionally afforded protection to foreign traders whose trademarks have become known in Canada, even without use in Canada. However, in most cases, a reputation without use in Canada will require considerable effort and cost to demonstrate.

In a dispute involving unregistered

rights, the relevant date for showing the acquisition of the necessary reputation leading to common-law rights is the date when the alleged infringer first started to use its mark. Assuming that 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 an unregistered right must next demonstrate that there has been an unlawful misappropriation of its rights resulting in a likelihood of confusion. 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 from an improper conclusion that the goods or services are produced by the owner of the unregistered mark or that there is an affiliation between the owner of the known mark and an alleged infringer. Confusion could also include, as may be asserted in a grey goods case, the suggestion that the goods or services are of the same general standard or quality, or have the same attributes as those of an authorised distributor.

The assessment of confusion in a passing-off case is similar to that involving a registered mark, taking into consideration factors such as:

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

The final component for common-law passing off is damage: without clear and

non-speculative evidence of a likelihood of damage, there can be no passing off. Damage can be in the form of lost profits, customers or market share, or can arise from the loss of control over the use of a mark. Use of an owner's mark may even cause the owner to suffer loss of control over its mark, despite the owner's absence from the relevant market. Such loss is sufficient to ground the damage component of the passing-off test.

Simply owning a mark with some reputation will not guarantee success in a passing-off action. The normal rules of 'use' apply, and no rights can be asserted unless there is 'use' as defined by the Trademarks Act, by both the alleged owner and infringer (*BMW Canada Inc v Nissan Canada Inc* (2007) 60 CPR (4th) 181 (FCA), where there was no evidence that the plaintiff had used either of the trademarks M and M6 in association with automobiles or automobile parts, and the passing-off claim was dismissed).

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 merely functional or a trademark capable of registration. The court concluded that there could be 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 on a mark brought in the provincial courts might succeed even though the subject matter of the complaint might not be registrable as a trademark.

While a court may order the same remedies in a passing-off action as in an infringement action involving a registered mark, owners of unregistered marks 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. This initial evidentiary burden is not required of registered trademark owners. Owners of unregistered marks cannot



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there to be infringement by unauthorised use of a registered mark on the same goods or 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. The bottom line is that enforcement will be easier, cheaper and probably faster with a registration.

In Canada, owners of unregistered trademarks and trade names may oppose an application for registration of a confusingly similar mark, relying on previous use in Canada or use elsewhere that has resulted in the mark or 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 or advertising of the unregistered mark or 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.

*Masterpiece Inc v Alavida Lifestyles Inc* ((2011), 92 CPR (4th) 361 (SCC)) considered an unregistered trademark in the context of an expungement proceeding. The applicant relied on its prior rights in an unregistered trademark to argue that the respondent had not been entitled to registration of its mark at the time of registration. In *Masterpiece* the Supreme Court clarified that the test for confusion is based on the hypothetical assumption that both trade names and trademarks are used "in the same area", whether or not this is actually the case, and therefore geographical separation does not play a role. It was therefore not relevant that one party used its mark in Alberta while the other used its mark in Ontario (although geography is relevant in passing-off cases). Further, the court did not require that the applicant's mark have been used to a particular extent (eg, to become distinctive) in order for the applicant to argue that it had used its mark before the respondent, and therefore that the applicant, rather than the respondent, was entitled to registration of the mark. The applicant was required to file only evidence that its mark had been used before the relevant date.

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

take advantage of the provision deeming