



With Longstanding and Extensive Use, Is Evidence of Actual Confusion Needed to Prove a "Likelihood" of Confusion?

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In dismissing an action for passing off, trademark infringement, and depreciation of goodwill, the Federal Court in *Scott Technologies Inc. v. 783825 Alberta Ltd.* 2015 FC 1336, addresses a number of issues relating to evidence (or lack thereof) on actual confusion, depreciation of goodwill, and co-existence between parties.

Since the Supreme Court of Canada's decision in *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, which held that evidence of actual confusion is a relevant "surrounding circumstance" in assessing likelihood of confusion under s. 6(5) of the *Trade-marks Act*, the Courts and the Opposition Board have sometimes drawn different inferences from the lack of this type of evidence, likely because the test for confusion is supposed to be one of "likelihood of confusion", rather than actual confusion. The present decision provides some insight on the approach to be taken in light of this distinction.

Background

The plaintiff, Scott Technologies Inc., developed and sold a self-contained breathing apparatus ("SCBA") under the name Scott AIR-PAK, which was marketed to fire departments. In 2001, its fire and security division was rebranded as Scott Safety.

The defendant was started in 1995 as "Scott Safety Supply & Services", a fire extinguisher sales and maintenance business. By 1998, the defendant began servicing and renting the AIR-PAK SCBA as part of its services. The defendant entered into an "in-house repair center agreement" with the plaintiff in 2000, which was terminated by the plaintiff at the end of 2003.

Absence of Evidence of Confusion

The plaintiff brought an action in 2012 against the defendant for passing off, trademark infringement, and depreciation of goodwill in relation to its registered trademarks for SCOTT, SCOTT & Design and AIR-PAK.

Having found that the plaintiff produced no substantial evidence of actual confusion, Justice Zinn went on to discuss the impact that this had on the surrounding circumstances/five-factor test for likelihood of confusion under s. 6(5) of the *Trade-marks Act*:

What we are left with, then, is a situation where factor (a) slightly favours the defendants, factor (e) slightly favours the plaintiff, and the remaining factors do not unambiguously favour either. In the face of this 'tie' I am of the view that the most important contextual factor is the lack of evidence of actual confusion. This factor was discussed by the Supreme Court in *Mattel* at para 55:

Evidence of actual confusion would be a relevant 'surrounding circumstance' but is not necessary (*Christian*

Dior S.A., at para 19) even where trade-marks are shown to have operated in the same market area for ten years: *Mr. Submarine Ltd. v. Amandista Investments Ltd.* (1987), 19 C.P.R. (3d) 3 (Fed. C.A.). Nevertheless, as discussed below, an adverse inference may be drawn from the lack of such evidence in circumstances where it would readily be available if the allegation of likely confusion was justified[emphasis added in the judgment]

First, *Mattel* makes clear that evidence of actual confusion cannot be necessary to establish a likelihood of confusion because, if it were, it would have the effect of raising the test from a “likelihood of confusion” to “confusion” itself, contrary to subsection 6(2) of the Act. Second, *Mattel* establishes that, although not necessary, evidence of actual confusion is relevant to proving a likelihood of confusion. This is because, by definition, things that are likely to occur do occur more often than things that are unlikely to occur and, therefore, the fact that something has occurred suggests, other things being equal, that it was likely to occur. Third, and most importantly in the present context, *Mattel* establishes that a lack of evidence of actual confusion can be an indicator that confusion is not likely. This is the natural corollary of point two; the fact that something did not occur suggests, other things being equal, that it was not likely to occur.

Justice Zinn added that “the extent to which a court may draw an inference from a lack of actual confusion depends on the circumstances”. For example, in *Mr Submarine Ltd v Amandista Investments Ltd.*, the lack of evidence of actual confusion was considered by the Federal Court of Appeal to be a “very weighty fact” given the longstanding co-existence between the parties’ trademarks in association with restaurant services. Justice Zinn also distinguished his prior decision in *Absolute Software Corporation v Valt.X Technologies Inc*, 2015 FC 1203, where he held that the lack of evidence of actual confusion was “not surprising given that the Respondent is in start-up and development mode and has sold less than \$2000 in product thus far.”

Based on the evidence presented, Justice Zinn found that the plaintiff’s evidence of actual confusion between the defendant’s use of SCOTT SAFETY and the plaintiff’s use of the SCOTT marks was “extremely weak” despite both parties having marketed their products to customers in the oil patch for several years. As a result, the plaintiff’s claims for trademark infringement and passing off were dismissed.

Depreciation of Goodwill

In also dismissing the plaintiff’s claim for depreciation of goodwill, Justice Zinn noted the lack of evidence of lost sales, on the basis that “one of the required elements that must be proven to establish a claim under subsection 22(1) is that the likely effect of the defendants’ use was to depreciate the value of the goodwill attached to the plaintiff’s trade-mark (i.e. damage)”. As the plaintiff offered no evidence that it had lost any sales or was otherwise impacted by the defendant’s use of SCOTT SAFETY, Justice Zinn found it could not be said that the use of SCOTT SAFETY had “likely” depreciated the plaintiff’s goodwill in its trademark SCOTT.

Delay

While the defendant’s defence of delay and acquiescence was not addressed due to dismissal of the plaintiff’s claims, Justice Zinn concluded his reasons with a comment on the inaction on the part of the plaintiff in regards to the defendant’s use of the Scott Safety name:

[84] ... Here, the plaintiff has long known of the use by the defendants of “Scott Safety” ... but it did nothing ... until it decided to globally rebrand itself as Scott Safety – the defendants’ very trade-mark. A business cannot lie in the weeds, allowing another to carry on and invest in and grow its business, and then spring up and enlist the aid of the court when it suits its purposes, claiming it has been unfairly treated. In this case, if there is any unfairness, it is that the defendants were unfairly treated by the plaintiff when it decided to use the same name the defendants had been using in excess of 20 years.

Conclusion

The takeaway from this decision is that the inference to be drawn from a lack of evidence on actual confusion may be a determining or 'tie'-breaking factor where there has been longstanding and extensive use of the respective trademarks. In some circumstances, this approach makes the test for likelihood of confusion more than a theoretical test, it makes it one where substantive evidence of actual confusion may be necessary. In any event, this decision highlights the difficulties that a potential plaintiff may face in bringing an action against use of a longstanding trademark – particularly in the absence of any actual instances of confusion or lost sales, or where it would result in unfairness.

An appeal of this decision has been filed with the Federal Court of Appeal.