

## INSUFFICIENT EVIDENCE OF GOODWILL LEADS TO DISMISSAL OF A PASSING OFF ACTION

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In a recent case opposing two business schools, the Federal Court of Canada was seized of an action for passing-off regarding the Plaintiff's unregistered trade-mark CANADIAN BUSINESS COLLEGE. After reviewing the evidence and the case law on passing-off, the Court dismissed the action, ruling that the Plaintiff had not established its reputation or goodwill in and for the trade-mark CANADIAN BUSINESS COLLEGE at the time the Defendant started using the said trade-mark (*Canadian Business School Inc. v. Sunrise Academy Inc.*, 2002 FCT 1294, December 12, 2002, Layden-Stevenson J.).

### The facts

The Plaintiff was incorporated in 1992 under the name "Canadian Business School Inc.". The Plaintiff was a vocational school located in the city of Toronto, Ontario and it offered a variety of courses to the public, such as business, computers, etc. From 1992 to 1998, Plaintiff was prohibited from using the word "College" as the Ontario ministerial authority for education did not allow vocational schools to use the word "College" in their name or to describe themselves. However, in 1998, the ministerial authority changed its policy and the Plaintiff commenced, in July 1998, to promote its services under the trade-mark CANADIAN BUSINESS COLLEGE. Items such as pamphlets, letterhead and business cards, certificates, registration forms, bearing the CANADIAN BUSSINESS COLLEGE trade-mark, were first used as of July 1998. On September 17, 1998, the Plaintiff registered the "CANADIAN BUSINESS COLLEGE" name with the provincial authorities for education and business respectively.

Defendant, on the other hand, was an employment agency that commenced offering vocational school services in 1997. The Defendant operated in the city of Toronto, Ontario. On August 19, 1998, the Defendant was informed by the Ontario ministerial authority for education that it could use the word "College" in its name or to describe its services and on

September 14, 1998, the Defendant registered the CANADIAN BUSINESS SCHOOL name with the provincial authority for business. The Defendant first promoted its services under the CANADIAN BUSINESS COLLEGE trade-mark in a newspaper advertisement in September 1998, and then again in October 1998.

### **The issues at bar**

The Court was seized of deciding whether, at the time the Defendant first began to direct attention to its services under the CANADIAN BUSINESS COLLEGE trade-mark, the Plaintiff had acquired sufficient reputation and goodwill to establish that the Defendant had passed-off its services as those of the Plaintiff pursuant to Section 7 b) of the *Trade-Marks Act*, R.S.C. 1985, c. T-13.

### **The Federal Court ruling**

As it unequivocally appeared from the evidence before the Court, both the Plaintiff and the Defendant used the trade-mark and business name CANADIAN BUSINESS COLLEGE in association with the same services, namely vocational education services. The evidence further showed that the Plaintiff had commenced using the CANADIAN BUSINESS COLLEGE trade-mark some months before the Defendant began its use of the said trade-mark.

The Court began with a review of the law regarding trade-marks. Trade-mark rights, whether statutory or at common law, are acquired through adoption and use. A person's trade-mark must be distinctive, as there is no protectable right without distinctiveness. In the event that a trade-mark is not an invented or coined word, i.e. that it may have dictionary meanings, such as the trade-mark CANADIAN BUSINESS COLLEGE, it is up to the trade-mark owner to show that the trade-mark has acquired a secondary meaning, that the trade-mark owner has "(...) built up a distinctive reputation and goodwill for itself in association with the trade-mark (...)".

The Court then reviewed the essential elements of a successful passing-off action, namely:

- the existence of goodwill;
- deception to the public due to misrepresentation; and
- actual or potential damage

Under Canadian law, passing-off occurs when a person's business, reputation or goodwill may likely be injured by a competitor's misrepresentation, in which

the competitor creates an illusion of sameness, or similarity, to the person's wares or services, thus causing confusion to the consumer. The intention to misrepresent is not relevant: the existence of confusion, or the likelihood thereof, is sufficient to give rise to an action for passing off. The Courts have defined the term "goodwill" as the "fixed and favourable consideration of customers arising from established and well conducted business". The Court insisted of the fact that the doctrine of passing-off should not be used to restrict trade.

Having completed its review of the applicable case law, the Court reverted to the issue at bar, namely whether the Plaintiff had acquired sufficient reputation and goodwill in the name CANADIAN BUSINESS COLLEGE, to the extent that when the Defendant first adopted and used the CANADIAN BUSINESS name, it acted in such a way to cause, or be likely to cause, confusion between its services and those of the Plaintiff. The evidence showed that the Defendant's adoption of CANADIAN BUSINESS COLLEGE was done without knowledge of the Plaintiff's use and only a few months after the Plaintiff had commenced using same. The Court ruled that the relevant market to determine whether there was confusion was the body of students in the greater Toronto area, since that is where both the Plaintiff and the Defendant carried out their business activities. The Court further decided that the trade-mark CANADIAN BUSINESS COLLEGE was partially descriptive of the services provided and that the Plaintiff had the burden to prove that its trade-mark and trade-name had acquired a secondary meaning.

The Court ruled that the Defendant's witnesses were more credible in their testimony regarding the relevant facts: the evidence of the Plaintiff had not withstood cross-examination at trial. Moreover, the Plaintiff had failed to show knowledge or reputation, in the relevant market, of its CANADIAN BUSINESS COLLEGE trade-mark. The Court decided that the Plaintiff had not established its goodwill prior to the Defendant's first adoption and use, in September 1998, of the CANADIAN BUSINESS COLLEGE trade-mark. The Court further ruled that when a mark is highly descriptive, there is an inevitable risk of confusion. Even though confusion did exist between the parties' trade-marks, the Plaintiff could not be successful in the absence of evidence of goodwill. The Court therefore dismissed the Plaintiff's action for passing-off.

## **Conclusion**

This case serves to remind litigants of the onerous burden that falls on the Plaintiff in a passing-off action. There must be sufficient evidence to support a Plaintiff's allegation of reputation and goodwill and in the absence thereof, the Courts will not hesitate to dismiss an action for passing-off, despite

evidence of confusion between the parties' trade-marks and despite evidence of a Plaintiff's prior rights in the trade-mark in suit.

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Published at (2003), 17-4 World Intellectual Property Report 4-5 under the title *Passing-Off Dismissed for Insufficient Evidence of Goodwill*. Publication 142.149.

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