

EVIDENCE OF GOODWILL ESSENTIAL IN PASSING OFF CASES, COURT OF APPEAL OF QUEBEC RULES

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The Court of Appeal of Quebec recently dismissed an appeal of a decision of the Superior Court of Quebec which rejected the Appellant's passing-off action relating to its artists' paintbrushes sold under the trade-mark ARTISTS' CHOICE design (*Demco Manufacturing Inc. v. Foyer D'Artisanat Raymond Inc.* 2006 QCCA 52, Morissette, Dufresne and Trudel, J.C.A., January 12th, 2006).

THE FACTS

Sometime during the year 2000, the Appellant, Demco Manufacturing Inc. ("Demco") verbally contracted with the Respondent, Foyer D'Artisanat Raymond Inc. ("Foyer") to have the latter sell its artists' paintbrushes (imported from India) to retail stores. In 2001, Foyer placed an order and sold said paintbrushes, as per the terms of their verbal agreement. However, in early 2002, Demco became aware that FOYER ceased purchasing its products and shortly thereafter discovered that Foyer was selling a product very similar to its product (imported from China), at a less expensive price, in a particular chain of retail stores.

The Court highlighted one element: Demco's paintbrushes were packaged in transparent plastic bags, affixed, in the center, with its registered trade-mark ARTISTS' CHOICE®, surrounded by information regarding the characteristics of the product as well as a distinctive visual presentation of geometric coloured shapes, presumably as an added-value feature of its goods.

Foyer's rival product was strikingly similar to Demco's in that the only main difference was that the center of the transparent packaging featured the element "Miracle" in a script different from that of Demco's.

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THE SUPERIOR COURT OF QUEBEC DECISION

In reviewing the abundant case law and principles applicable to passing off cases, the Court examined the three basic criteria to be established:

1. a goodwill or reputation attached to plaintiff's goods, in the mind of the public, such that the indicia in question is identified with the goods in question;
2. a misrepresentation by the defendant leading or likely to lead the public to believe that the goods are those of or authorized by the plaintiff;
3. the plaintiff has or is likely to have suffered damages.

In reference to proving the goodwill associated to a product, the Judge held that Demco failed to demonstrate, on a balance of probabilities, that on a quick glance of its packaged paintbrushes, the public automatically identified them to Demco. In fact, Demco provided no evidence of any goodwill in its paintbrushes. The Court eventually proceeded to reject Demco's quest for a permanent injunction.

THE COURT OF APPEAL JUDGEMENT

Demco alleged that the first instance Judge applied several passing off elements too rigidly. For example, Demco argued that it should not have been required to prove goodwill given it was selling its products for only an eight month period. The Court flatly rejected this view while concluding that it was tantamount to an admission of the lack of damages suffered by Demco.

More importantly, the Court of Appeal agreed with the Judge's finding that Demco furnished no evidence whatsoever regarding any goodwill in its products. Quite to the contrary, the Court commented the testimony of one of Demco's witnesses who stated that the public likely purchased Foyer's paintbrushes because they were considerably cheaper than Demco's. The Court's interpretation of said testimony was that Demco's drop in sales did not equate to a misrepresentation by Foyer likely to lead the public to believe its wares were those of Demco's.

The Court held that the first instance Judge committed no error at law in his interpretation of the jurisprudence applicable to passing off cases. Moreover,

the Court held that Demco never raised the possibility that the inferior court Judge having erred in fact, in accordance with the standard of review of a palpable and overriding error. There was evidence before the Judge upon which he could base his findings. As such, the Court of Appeal rejected Demco's appeal.

CONCLUSION

This case is a stark reminder of the fundamental criteria relating to goodwill which must be established within the confines of passing off actions. Even in cases such as the present one, where the overall appearance of the products at issue were quasi-identical, such an element is insufficient; the recipe for success in such actions begins with a plaintiff's capacity to prove the goodwill attached to its goods.

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