



ANOTHER ONE BITES THE TRADE-MARK DUST: FEDERAL COURT OF CANADA REFUSES TO GRANT INTERLOCUTORY INJUNCTION

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In a recent decision, the Federal Court of Canada dismissed the Plaintiffs' motion seeking an interlocutory injunction claiming trade-mark infringement and/or passing-off of its services contrary to Sections 7 and 20 of the *Trade-marks Act* [*CMAC MORTGAGES LTD., CMAC MORTGAGES (ALBERTA) LTD. and ONTARIO MORTGAGE ACTION CENTRE LTD. c.o.b. OMAC vs. CANADIAN MORTGAGE EXPERT CENTRES LTD. c.o.b. CMEC, Robert Dotzert and William Jacoletti*, 2008 FC 6 (T-1863-07) January 4th, 2008].

The Facts

The Plaintiffs

The Plaintiff Ontario Mortgage Action Centre Ltd. carrying on business as OMAC, is engaged in the residential mortgage business in Ontario since 1993, offering services such as mortgage refinancing, pre-approvals, renewals as well as related financial services between home buyers and sellers. The Plaintiff OMAC is the owner of a several OMAC trade-mark registrations with the first one having been granted on October 7, 2003 for OMAC in association with mortgage and loan brokerage and loan financing services. In November of 2002, in anticipation of future growth in the rest of Canada, the Plaintiff applied to register the mark CMAC (the "O" in OMAC was replaced with a "C" for "Canadian"). At the time of these proceedings, OMAC operated in 29 locations across Ontario.

The Plaintiff CMAC Mortgages Ltd. was incorporated under the laws of Ontario on August 1st, 2006 with the goal of offering mortgage brokerage services to the public across Canada but it never operated in Ontario.

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The first concrete step in CMAC's Canadian expansion occurred in Calgary, Alberta. On August 24th, 2007, the Plaintiff CMAC Mortgages (Alberta) Ltd. was incorporated as an Alberta Corporation and was the first CMAC agency to provide mortgage brokerage services in Alberta starting in late September 2007 with the opening of its first Calgary location.

The Defendants

The corporate defendant Canadian Mortgage Expert Centres Ltd. carrying on business as CMEC was incorporated as an Ontario corporation shortly after CMAC Mortgages Ltd., approximately 1½ years after Defendant Mr. Dotzert had left OMAC (he owned half the shares of OMAC). CMEC operated in Ontario at two locations, with expansion plans within Ontario. The CMEC acronym was adopted with a design element incorporating a house and maple leaf design ("CMEC logo"). The CMEC logo was always accompanied by corporate Defendant's full name on signage, business cards, letterhead and in all advertising and staff was instructed to answer the phone using the full company name. CMEC began offering its services in mid July 2007.

Actual confusion

The Plaintiffs filed evidence of instances of actual confusion. While one affidavit contained double hearsay, in another sworn by a production consultant with OMAC, the affiant stated that OMAC's head office in London, Ontario received two faxes from a mortgage lender which were intended for CMEC.

The interlocutory injunction

In their motion before the Court, the Plaintiffs sought to restrain Defendants from using the word CMEC or any word confusingly similar to CMAC or OMAC, as a trade name, corporate name, or business style, in association with mortgage brokerage services and from passing-off their services under CMEC as and for that of the Plaintiffs' services under CMAC. The Plaintiffs did not seek to restrain the Defendants from doing business under the corporate Defendant's name of Canadian Mortgage Expert Centres Ltd.

It is trite law that the Federal Court of Canada assesses the merit of interlocutory injunction applications on the basis of a cumulative three-part test established by the Supreme Court of Canada :

- (1) the applicant must show that it has a serious issue to be tried;
- (2) the applicant must satisfy the Court that it will suffer irreparable harm if the injunction does not issue;
- (3) the balance of convenience must favour granting the injunction.

The Court held that on the issue of the existence of a serious issue to be tried as concerned confusion and passing-off between OMAC and CMEC, the Plaintiffs had established this element (both operated in Ontario). However, this part of the test was not proven between the other two plaintiffs CMAC Mortgages Ltd. and CMAC Mortgages (Alberta) Ltd. and CMEC because the parties were not both present in the same market place (CMAC operated in Alberta while CMEC operated in Ontario). The Court reiterated that the threshold for this first element is a low one and that the Plaintiff OMAC's allegations were neither frivolous nor vexatious.

On the issue of irreparable harm, the Court ruled that the Plaintiffs had not led sufficient evidence to prove irreparable harm if the injunction was not granted. The Court opined that the Plaintiffs' evidence touched on the past and not on the present or the future and in many instances was merely speculative. The Court also noted that rather than leading evidence to establish irreparable harm, the Plaintiffs attempted instead to show Defendants were impecunious and therefore would not be able to shoulder a damage award against them. The Court held that no evidence on record allowed it to support a charge of impecuniosity.

On the issue of the balance of convenience, the Court concluded that it weighed in favour of the Defendants as concerned OMAC and CMEC not CMAC and CMEC who were not operating in the same markets.

In the Court's preliminary assessment of OMAC's case, it was of the view that it was weak in terms of both actual and likely confusion in so far as buying mortgage services differs from buying products off a shelf: the buyer of mortgage services will be more discriminating because he or she is borrowing large sums. Moreover, the Court stated that the delivery of mortgage services is a hands-on personal service which reduces the risk of confusion. As for confusion between the marks OMAC and CMEC, the Court indicates that jurisprudence shows such marks are weak.

Conclusion

For the seasoned IP practitioner, the Court's refusal to grant an interlocutory injunction is a potent reminder of the difficulties encountered in cases of trade-mark infringement and/or passing-off actions in meeting the required threshold. In weighing their options prior to taking such an action, both a plaintiff and its counsel should carefully consider the substantive requirements as litigants often face an uphill battle in their quest for interlocutory injunctive relief.

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