



FEDERAL COURT OF APPEAL CONFIRMS NO PRESUMED DAMAGES IN PASSING OFF ACTION

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The importance of proving potential or actual damages in passing off cases was highlighted by the Federal Court of Appeal in a very recent decision, in which it upheld a lower court ruling rejecting Appellant's attempt at seeking injunctive relief based on a claim for passing off of its unregistered trade-mark "PharmaCommunications" [*Pharmacommunications Holdings Inc. v. Avencia International Inc. et als*, 2009 FCA 144 (A-482-08) May 5th, 2009].

The Facts

The Applicant, Pharmacommunications Holdings Inc., incorporated since September 26, 1995, had licensed use of its unregistered trade-mark "PharmaCommunications" to a related entity, PGI, also incorporated since 1995. The Applicant also alleged the trade-mark "PharmaCommunications" had been used by its predecessor corporations since December 1982 and that the trade-mark has always been used in association with the provision of marketing, advertising and related consulting services to the pharmaceutical industry in Canada. As for PGI, according to the Applicant, it is a marketing company for pharmaceutical companies in Canada, a niche market of approximately 100 companies.

The Respondent, Avencia International Inc. was incorporated on January 20, 2004 and registered the business name "Pharmacomm" on December 2, 2004 and since then, has been operating in Ontario under that name. Avencia submitted it is an advertising agency which includes brand consultation, media advertising, product promotion and sales techniques services to its clients.

There was some dispute between the parties as to the nature of their respective businesses but the Court of Appeal decided this element was not relevant to the

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appeal before it insofar as both parties provide services to the pharmaceutical industry.

Federal Court decision

The Federal Court only dealt with the issue of whether or not Avencia was liable for statutory passing off under section 7(b) of the *Trade-Marks Act* as concerned on the one hand, its use of the business name PharmaComm and on the other, Applicant's use of its unregistered trade-mark "PharmaCommunications".

After reviewing the evidence and arguments adduced by the parties and in rejecting the Applicant's application, the Federal Court firmly stated that it was unnecessary to consider if the Applicant had a valid and enforceable trade-mark nor if the first two elements to a passing off action were demonstrated (established goodwill and deception to the public due to a misrepresentation) because the Applicant clearly failed to meet the third element regarding actual or potential damages.

Federal Court of Appeal decision

The main issue before the Federal Court of Appeal was whether or not the applications judge applied the correct test regarding passing off claims under section 7(b) of the *Trade-Marks Act*, more specifically, to determine if it is necessary in a passing off action for a plaintiff to establish actual or potential damages resulting from an alleged infringement.

While the Appellant raised other issues, the Court opined it did not need to address these subsidiary matters if the Appellant was unsuccessful on the main issue of damages.

In its submissions, the Appellant argued the applications judge had committed an error by applying a common law test to a statutory claim for passing off insofar as in the case of the latter, a court finding of actual or potential damages to a claimant was not required. However, the Appellant acknowledged that the Federal Court of Appeal had held otherwise in *BMW Canada Inc. v. Nissan Canada Inc.* (2007 FCA 255 (CanLII), 2007 FCA 255, 60 C.P.R. (4th) 181) but submitted that this case (in which the Court stated that actual or potential damages cannot be presumed and there must be evidence proving same) should not be followed.

The Federal Court of Appeal held that the Appellant failed to demonstrate that the *BMW Canada* decision was manifestly wrong in addition to stating that there were no longer any significant differences between the statute and the common law in relation to passing off cases.

The Federal Court also referred to the tripartite test for establishing passing off determined by the Supreme Court of Canada in the *Ciba-Geigy* decision ([1992] 3 S.C.R. 120 at 132) by stating that while it was a common law passing off test, it had nevertheless subsequently been applied by the Federal Court in numerous statutory claims.

The Federal Court of Appeal further stated that more recently, in the *LEGO* decision (*Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65, [2005] 3 S.C.R. 302) the Supreme Court affirmed the tripartite test, including the requirement of proving actual or potential damages and that the same principles inform both the common law and the statute.

For the foregoing reasons, the Federal Court of Appeal concluded that the *BMW Canada* decision was consistent with the Supreme Court's jurisprudence on passing off and it should thus be followed.

The Appellant also argued that in the alternative, it was unnecessary to adduce evidence of actual or potential damages insofar as the Court is entitled to presume same where a likelihood of confusion has been demonstrated.

The Federal Court of Appeal responded that this argument was equally rejected in the *BMW Canada* decision and further added that the Appellant had not given any reason why this decision should not be followed on this element. The Court also mentioned that the Appellant had not challenged the finding that it led no evidence of actual or potential damages.

In disposing of the appeal, the Federal Court of Appeal held it was evident that the Appellant's claim for statutory passing off was unable to succeed.

Conclusion

This Federal Court of Appeal decision may serve as a cautionary reminder to future litigants that damages in passing off cases, be it within the framework of the common law or the statute, are not to be presumed, including in cases where likelihood of confusion has been established. It would also appear to constitute yet another indication of the hardship facing plaintiffs who seek relief based on passing off claims.



