



## **PASSING OFF SECTION 7 OF THE *TRADE-MARKS ACT***

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### **6.1 THE ORIGINS AND EVOLUTION OF THE TORT OF PASSING OFF**

#### **6.1.1 Original scope of the tort**

The concept of passing off was developed in the nineteenth century:

... no man is entitled to represent his goods as being the goods of another man; and no man is permitted to use any mark, sign or symbol, device or other means, whereby, without making a direct false representation himself to a purchaser who purchases from him, he enables such purchaser to tell a lie or to make a false representation to somebody else who is the ultimate customer ... [H]e must not ... make directly, or through the medium of another person, a false representation that his goods are the goods of another person.<sup>1</sup>

More succinctly:

"Nobody has any right to represent his goods as the goods of somebody else."<sup>2</sup>

The original scope of the "passing off" action was thus concerned with an unauthorized use of a trade-mark/trade-name belonging to one's competitor so as to induce, in potential purchasers, the belief that the unauthorized user's goods were

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<sup>1</sup> *Singer Manufacturing Co. v. Loog* (1880) 18 Ch.D 395 (C.A.); affirmed (1882) 8 App. Cas. 15 (H.L.)

<sup>2</sup> *A.G. Spalding & Bros. v. A.W. Gamage Ltd.* (1915), 32 R.P.C. 273 at 283 (H.L.)

those of the trade-mark/trade-name owner<sup>3</sup>.

The cause of action was not triggered unless the case involved competing traders in the same line of business.

### 6.1.2 Extended version of passing off

The tort was "extended" (this explains the phrase "extended form of passing off" seen in some decisions) to curtail the activities of non-competitors who adopted the identical or confusing trade-mark/trade-name in association with wares or services which falsely suggested that the plaintiff's and defendant's business were nonetheless connected in some way.

The House of Lords in *Spalding*<sup>4</sup> identified five characteristics which must be present in order to have a valid cause of action for passing off:

- 1) a misrepresentation;
- 2) made in the course of trade;
- 3) to prospective customers of his or ultimate consumers of goods or services supplied by him;
- 4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence); and
- 5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.

The passing off test was recast in 1990 by the House of Lords<sup>5</sup>:

The plaintiff must satisfy three elements:

- 1) that the plaintiff has the requisite degree of goodwill or reputation in the mind of the purchasing public;
- 2) that the defendant has made a misrepresentation to the public; and
- 3) that the plaintiff, as a result of the misrepresentation, has suffered, or is likely to suffer, damage.

In 1992, the Supreme Court of Canada confirmed this tri-partite test. The three necessary elements of a passing off action in Canada are thus: the existence of goodwill, the deception of the public due to a misrepresentation and actual or potential damage to the plaintiff.<sup>6</sup>

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<sup>3</sup> *Erven Warnink B.V. et al. v. J. Townsend & Sons (Hall) Ltd. et al.*, [1980] R.P.C. 31 (H.L.)

<sup>4</sup> *A.G. Spalding & Bros. v. A.W. Gamage Ltd.* (1915), 32 R.P.C. 273 (H.L.)

<sup>5</sup> *Reckitt & Colman Products Limited v. Borden Inc. & Ors*, [1990] R.P.C. 341 (H.L.)

<sup>6</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at para. 33

### 6.1.3 Current interests to be protected

The law of passing off exists not only to protect the interests of traders but also to protect the public:

The role played by the tort of passing off in the common law has undoubtedly expanded.... The simple wrong of selling one's goods deceitfully as those of another is not now the core of the action. It is the protection of the community from the consequential damage of unfair competition and unfair trading.<sup>7</sup>

## 6.2 THE ELEMENTS OF THE TORT OF PASSING OFF

### 6.2.1 Goodwill

The Supreme Court has recently discussed the concept of "goodwill":<sup>8</sup>

Goodwill is not defined in the Act. In ordinary commercial use, it connotes the positive association that attracts customers towards its owner's wares or services rather than those of its competitors. In *Manitoba Fisheries Ltd. v. The Queen*, [1979] 1 S.C.R. 101, at p. 108, this Court adopted the following definition of "goodwill":

"Goodwill" is a word sometimes used to indicate a ready formed connection of customers whose custom is of value because it is likely to continue. But in its commercial sense the word may connote much more than this. It is, as Lord Macnaghten observed in *Inland Revenue Commissioners v. Muller & Co.'s Margarine Ltd.* [1901] A.C. 217, 224, "the attractive force which brings in custom," and it may reside, not only in trade connections, but in many other quarters, such as particular premises, long experience in some specialized sphere, or the good repute associated with a name or mark. It is something generated by effort that adds to the value of the business.

(Quoting Lord MacDermott L.C.J. in *Ulster Transport Authority v. James Brown and Sons Ltd.*, [1953] N.I. 79, at pp. 109-110).

The test to establish whether or not goodwill exists in a trade-mark/trade-name was framed by the Supreme Court of Canada in *Parke, Davis & Company*:

What is necessary for a trader who is a plaintiff in a passing off action to establish? It seems to me that, in the first place he must, in order to succeed, establish that he has selected a peculiar – a novel design as a distinguishing feature of his goods and that his goods are known in the market, and have acquired a reputation in the market by reason of that

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<sup>7</sup> *Consumers Distributing Co. v. Seiko Time Canada Ltd.*, [1984] 1 S.C.R. 583

<sup>8</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltee*, [2006] S.C.J. No. 22 at para. 50

distinguishing feature, and that unless he establishes that, the very foundation of his case fails<sup>9</sup>.

When the "trade-mark" asserted by the plaintiff comprises the particular shape of an object, the Court must be satisfied that the shape is not purely functional<sup>10</sup> and that the shape of the plaintiff's products has acquired a "secondary meaning" in the minds of the purchasing public.<sup>11</sup>

A plaintiff must therefore prove the existence of a commercial reputation or goodwill created through the exclusive association of the name, mark or other indicia relied upon with its business, wares or services. This proof necessitates that the plaintiff's name or mark be distinctive of the plaintiff's business, wares or services. Distinctiveness is the very essence of a trade-mark at common law and under the *Trade-marks Act* - without it there is no protectable right.<sup>12</sup>

A trade-mark becomes non-distinctive when it deviates from its registered form, becomes generic or part of the public domain or is improperly assigned or licensed such that the trade-mark ceases to be indicative of a single source.<sup>13</sup>

The "single source", however, need not be one single entity but may comprise a group of entities under the concept of "shared goodwill". So, for example, all the makers of French champagne could pursue an action for passing off grounded in their shared goodwill to the mark and appellation, CHAMPAGNE.<sup>14</sup>

In most cases, the breadth of a plaintiff's goodwill extends only to the specific wares and services in association with which the trade-mark has been used. For example, the trade-mark FANTASYLAND used abroad in association with an amusement park had sufficient goodwill in Canada to support a passing off claim against a defendant who also used the same trade-mark in association with similar services.<sup>15</sup>

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<sup>9</sup> *Parke, Davis & Co. v. Empire Laboratories Ltd.*, [1964] S.C.R. 351 at 358 (S.C.C.)

<sup>10</sup> See section 5.2

<sup>11</sup> *Oxford Pendaflex Canada Ltd. v. Korr Marketing Ltd.*, [1982] 1 S.C.R. 494; *Ray Plastics Ltd. et al. v. Dustbane Products Ltd.* (1990), 75 O.R. (2d) 37 (O.S.C.); affirmed (1994), 57 C.P.R. (3d) 474 (O.C.A.)

<sup>12</sup> R. Scott. Jolliffe, "The Common Law Doctrine of Passing Off" in Gordon F. Henderson ed., *Trade-marks Law of Canada* (Toronto: Carswell, 1993) at 206 – 207

<sup>13</sup> *Registrar of Trade Marks v. Compagnie Internationale pour l'Informatique CII Honeywell Bull*, [1985] 1 F.C. 406 (F.C.A.); *Aladdin Industries, Inc. v. Canadian Thermos Products Ltd.*, [1962] 2 Ex. C.R. 80; *Heintzman v. 751056 Ontario Ltd.* (1990), 38 F.T.R. 210; *Marketing International Ltd. v. S.C. Johnson and Son, Limited*, [1979] 1 F.C. 65 (F.C.A.)

<sup>14</sup> *Institut National des Appellations d'Origine des Vins et Eaux-de-Vie et al. v. Andres Wines Ltd. et al.* (1987), 60 O.R. (2d) 316 (O.H.C.); affirmed (1990), 74 O.R. (2d) 203 (O.C.A.)

<sup>15</sup> *Walt Disney Productions v. Triple Five Corp.* (1992), 43 C.P.R. (3d) 321; affirmed (1994), 53 C.P.R. (3d) 129 (Alta. C.A.)

However, the goodwill associated with that trade-mark did not exist "at large" to support a passing off claim against the same defendant who used the same trade-mark in association with dissimilar services of the operation of a hotel.<sup>16</sup>

In cases involving "famous marks", however, the goodwill attached to a famous mark may transcend the specific wares and services in respect to which it has been used but only if there is evidence that consumers are likely to come to the mistaken conclusion that the dissimilar wares or services provided by the defendant are put into commerce by or with the authority of the plaintiff.<sup>17</sup>

### 6.2.2 Deception due to misrepresentation

Perhaps because of the language used in formulating the initial test for passing off, and notwithstanding clear guidance from the Supreme Court of Canada,<sup>18</sup> some Courts have interpreted the second criteria as requiring the plaintiff to demonstrate some intentional deceitful activity, a deliberate strategy to unfairly compete, or unethical motives before they will find liability for passing off.<sup>19</sup>

The Supreme Court of Canada has recently re-affirmed that a plaintiff need not show any intentional misconduct, *mala fides* or deliberate deceitful acts to satisfy the second criteria. The doctrine of passing off also covers negligent or careless misrepresentation by the trader.<sup>20</sup>

Therefore, if the Trial Judge concludes that the defendant has adopted and used a mark or name which is likely to be confused with the plaintiff's distinctive mark, name or design in which the plaintiff owns goodwill or a secondary meaning, the requirement to prove misrepresentation is satisfied. The fact that the misrepresentation is innocent is no defence.<sup>21</sup>

Certainly, any deliberate conduct engaged in by the defendant to deceive will always be a relevant factor.<sup>22</sup> The presence of such misconduct will make it easier for the plaintiff to satisfy the misrepresentation requirement. If the defendant itself believes

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<sup>16</sup> *Walt Disney Productions v. Fantasyland Hotel Inc.* (1994), 56 CPR (3d) 129 (Alta. QB); affirmed (1996), 67 C.P.R. (3d) 444 (Alta. C.A.)

<sup>17</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltee*, [2006] S.C.J. No. 22; *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] S.C.J. No. 23

<sup>18</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at para. 36; *Consumers Distributing Co. v. Seiko Time Canada Ltd.*, [1984] 1 S.C.R. 583 at 601

<sup>19</sup> See, for example *Molson Canada v. Oland Breweries Ltd.* (2002), 19 C.P.R. (4<sup>th</sup>) 201 at paras. 20 – 24; *Kirkbi AG et al. v. Ritvik Holdings Inc.* (2002), 20 C.P.R. (4<sup>th</sup>) 224 at paras. 119, 120, 142

<sup>20</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] S.C.J. No. 66 at para. 68

<sup>21</sup> *Walt Disney Productions v. Triple Five Corp.* (1994), 53 C.P.R. (3d) 129 at para. 54; *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] S.C.J. No. 23 at para. 90

<sup>22</sup> *Enterprise Rent-A-Car Co. v. Singer*, [1996] 2 F.C. 694; affirmed (1998), 79 C.P.R. (3d) 45

the mark is worthy of filching, the Court will likely conclude it is worthy of protection.

In order to establish "misrepresentation" under either the common law or statutory cause of action for passing off, the Court is guided by the test for confusion set out in section 6 of the *Trade-marks Act*.

In common law passing off actions, the misrepresentation criteria may be satisfied by establishing conduct not involving the use of a confusing trade-mark. As discussed in section 3.2.2 below, the statutory cause of action for passing off is only triggered when the defendant uses an identical or confusing trade-mark.

If any customer for, or user of, the plaintiff's products is likely to be confused by the defendant's misrepresentation, the second criteria has been satisfied. The confused person need not be the plaintiff's direct customer. The effect of the misrepresentation upon the ultimate consumer of the product must be taken into account. The purpose of passing off is to protect all persons who are likely users of the product or service.<sup>23</sup>

In sum, a misrepresentation, whether deliberate or innocent, and whether made by a competitor or not, which has the effect of impairing the goodwill of a plaintiff by misleading the plaintiff's direct or ultimate customers as to the source of the defendant's wares, service or business, will satisfy the second criteria. The absence of such likelihood of confusion is fatal to the passing off claim.<sup>24</sup>

### 6.2.3 Actual or potential damage

Once a plaintiff has established a goodwill or reputation attached to its goods or services in the mind of the public which is symbolized by a name, word, design or guise; and a misrepresentation (whether or not intentional) likely to lead the public to the mistaken conclusion that the defendant's goods or services are those of or those authorized by the plaintiff, some older authorities stand for the proposition that damage may be presumed.<sup>25</sup>

For example, when the misrepresentation leads to the plaintiff's loss of control over the use of its name or mark or the creation of an impediment to the plaintiff's use of its name or mark, the third criteria is satisfied.<sup>26</sup>

However, the Federal Court and Federal Court of Appeal have more recently

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<sup>23</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120

<sup>24</sup> *Yvon Drolet v. Stiftung Gralsbotchafgt et Fondation du Movement du Graal Canada* 2009 CF 17

<sup>25</sup> *Walt Disney Productions v. Triple Five Corp.* (1992), 43 C.P.R. (3d) 321; affirmed (1994), 53 CPR (3d) 129 at para. 84 (FCA)

<sup>26</sup> *Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd. et al.* (1984), 80 C.P.R. (2d) 153 (O.H.C.); affirmed (1985), 50 O.R. (2d) 726 (O.C.A.)

concluded that where there is no evidence that the defendants' use of its trade-mark has led to the plaintiff's loss of business; or there is no evidence that the plaintiff has suffered damage in the sense of a loss of control over its reputation, image or goodwill, the requirement upon the plaintiff to prove damage has not been satisfied.<sup>27</sup> A bifurcation Order does not relieve the plaintiff from the necessity of proving the existence of damage as an element of its cause of action.<sup>28</sup>

## 6.3 STATUTORY CODIFICATION OF passing off

### 6.3.1 Introduction

The *Trade-marks Act* provides a registration process that is one of the more obvious means Parliament chose for protecting trade-marks. Under section 19 of the *Act* and subject to sections 21, 32 and 67, the registration of a trade-mark, unless shown to be invalid, gives to the owner the exclusive right to the use throughout Canada of the trade-mark in respect of the wares or services mentioned in the registration.<sup>29</sup> As noted, however, by LeBel J. in *Kirkbi AG v. Ritvik Holdings Inc.*,<sup>30</sup> the *Trade-marks Act* is obviously more than a registration process as it establishes a regulatory scheme for both registered and unregistered trade-marks.<sup>31</sup> It is also concerned with unfair competition and the avoidance of consumer confusion.<sup>32</sup>

Any overview of the *Trade-marks Act* would not be complete without mentioning that the *Act* prohibits unfair trade practices and to that effect sets out a code of conduct which is outlined in section 7. Although not specifically associated with the protection of trade-marks (indeed, it does not even mention the word "trade-mark"), section 7 of the *Act* completes the various protection mechanisms offered to trade-mark owners through statutory actions which claim their roots in the common law's first attempt to ensure fair competition and as far as section 7(b) is concerned, the protection of goodwill generated through the use of trade-marks.<sup>33</sup>

Section 7 of the *Trade-marks Act* reads as follows:

7. No person shall
- (a) make a false or misleading statement tending to discredit the

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<sup>27</sup> *Toys "R" Us (Canada) Ltd. v. Manjel Inc.* (2003), 24 C.P.R. (4<sup>th</sup>) 449 at para. 68 (F.C.); *Nissan Canada Inc. v. BMW Canada Inc. et al.*, 2007 FCA 255 at paras. 33-37 (F.C.A.); *Tommy Hilfiger Licensing et al. v. Quality Goods I.M.D. Inc. et al.* (2005) 267 F.T.R. 259 at paras. 137-138 (F.C.)

<sup>28</sup> *Nissan Canada Inc. v. BMW Canada Inc. et al.*, 2007 FCA 255 at paras. 33-37 (F.C.A.)

<sup>29</sup> *Bacardi & Co. v. Havana Club Holding S.A.* (2003), 32 C.P.R. (4<sup>th</sup>) 366 at para. 22 (F.C.T.D.) (affirmed by *Bacardi & Co. v. Havana Club Holding S.A.* (2004), 32 C.P.R. (4<sup>th</sup>) 306 (F.C.A.)).

<sup>30</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302.

<sup>31</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at paras. 28, 29 and 31.

<sup>32</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 35.

<sup>33</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 63.

- business, wares or services of a competitor;
- (b) direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another;
- (c) pass off other wares or services as and for those ordered or requested;
- (d) make use, in association with wares or services, of any description that is false in a material respect and likely to mislead the public as to
- (i) the character, quality, quantity or composition,
  - (ii) the geographical origin, or
  - (iii) the mode of the manufacture, production or performance of the wares or services; or
- (e) do any other act or adopt any other business practice contrary to honest industrial or commercial usage in Canada.

As Laskin C.J. noted in *MacDonald v. Vapor Canada Ltd.*,<sup>34</sup> section 7 gives substance to the “Unfair Competition” portion of the subtitle which immediately precedes it.<sup>35</sup> In fact, section 7 is not a provision which concerns trade-marks *per se*; rather its aim is to prohibit behaviour which is considered to constitute unfair competition and, in relevant cases, to protect the goodwill generated by trade-marks.<sup>36</sup> This nuance is important as protecting trade-marks *per se* on the one hand and prohibiting unfair competition by protecting, in relevant cases, the goodwill generated by trade-marks on the other are two different but related aspects of consumer protection relating to trade-marks.

On the issue of protecting trade-marks *per se* – as one aspect of consumer protection – LeBel J. noted in *Kirkbi AG v. Ritvik Holdings Inc.*,<sup>37</sup> that a trade-mark is a symbol of a connection between the source of a product and the product itself.<sup>38</sup> For Binnie J. in *Mattel, Inc. v. 3894207 Canada Inc.*,<sup>39</sup> a trade-mark is a “guarantee of origin”.<sup>40</sup> It grants its owner exclusive rights to the use of a distinctive designation.<sup>41</sup> Through various provisions, including a registration process, the *Act* protects this symbol. With the registration of a trade-mark, an owner has more effective rights against third parties<sup>42</sup> (for example, under section 19, no one can use anywhere in Canada an identical trade-mark to the one protected by registration for wares and/or services

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<sup>34</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134.

<sup>35</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 142.

<sup>36</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 35.

<sup>37</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302.

<sup>38</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 39.

<sup>39</sup> *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] 1 S.C.R. 772.

<sup>40</sup> *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] 1 S.C.R. 772 at para. 2.

<sup>41</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 58.

<sup>42</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 58.



identical to the ones described in the registration certificate<sup>43</sup>); proof of title is also facilitated.<sup>44</sup>

Any registered trade-mark, no matter how it is actually used, allows its owner to enjoy exclusive rights across Canada to the use of the trade-mark. As long as its registration is valid and in effect, the owner of a registered trade-mark can claim the monopoly rights granted under section 19, irrespective of the circumstances of use of its registered trade-mark which may vary in individual cases.<sup>45</sup> Because of this general principle, there does not appear to be any support in the *Act* for the concept of a registered but secondary trade-mark whose use is restricted in association with a better known mark.<sup>46</sup> As a consequence, trade-mark owners can register as many trade-marks as their business needs require, a fact implicitly confirmed by section 15 of the *Act*. For this reason, a trade-mark owner can use more than a single trade-mark to identify its wares and/or services.<sup>47</sup> However, the important point to underline here is that each registered trade-mark will be protected as an individual asset (albeit with its own specific goodwill which may vary from trade-mark to trade-mark), a fact confirmed by several provisions of the *Act*.<sup>48</sup> Notwithstanding the advantage of registration, even without its benefit, an owner can still claim property rights in its trade-mark.<sup>49</sup>

Section 7 has a fundamentally different concern; it puts forward a code of conduct for traders; it is not concerned with the state sanctioned monopoly granted by section 19. In relevant circumstances, section 7(b) protects the goodwill of trade-marks through the prohibition of behaviour described as unfair competition.<sup>50</sup> Its aim is to avoid consumer confusion, to ensure that buyers know what they are purchasing and from whom.<sup>51</sup> To that effect, it protects monopolies in respect of names which identify the distinctiveness of a source.<sup>52</sup> However, at the root of this protection is a “kind of

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<sup>43</sup> *Tradition Fine Foods Ltd. v. The Oshawa Group Limited* (2005), 44 C.P.R. (4th) 81 at para. 8 (F.C.A.).

<sup>44</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 58.

<sup>45</sup> *Mr. Submarine Limited v. Amandista Investments Limited*, [1988] 3 F.C. 91 at 102 (F.C.A.); *Compagnie Générale des Établissements Michelin-Michelin & Cie v. Continental General Tire Canada Inc.* (2000), 8 C.P.R. (4th) 417 at para. 46 (F.C.T.D.).

<sup>46</sup> *Compagnie Générale des Établissements Michelin-Michelin & Cie v. Continental General Tire Canada Inc.* (2000), 8 C.P.R. (4th) 417 at para. 46 (F.C.T.D.).

<sup>47</sup> *Renaud Cointreau & Cie v. Cordon Bleu International Ltée* (2000), 11 C.P.R. (4th) 95, 193 F.T.R. 182 at paras. 17 and 34 (F.C.T.D.) (affirmed by *Renaud Cointreau & Cie v. Cordon Bleu International Ltée* (2002), 18 C.P.R. (4th) 415 (F.C.A.)); *Kraft Limited v. Registrar of Trade-marks*, [1984] 2 F.C. 874 at 879 (F.C.T.D.); *Mantha & Associates v. Old Time Stove Co. Inc.* (1990), 30 C.P.R. (3d) 574 at 575 (T.M.S.H.O.); *A.W. Allen Ltd. v. Registrar of Trade-marks* (1985), 6 C.P.R. (3d) 270 at 272 (F.C.T.D.).

<sup>48</sup> See sections 19, 20 and 22 of the *Act*.

<sup>49</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 58.

<sup>50</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 35.

<sup>51</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 63.

<sup>52</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 67.

ownership” over a name whose use has generated goodwill. As Gonthier J. indicated in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*<sup>53</sup> when referring to passing off more generally, there is a link between the right to be protected against the “pirating” of a brand, trade-name or the appearance of a product and a kind of ownership which the manufacturer has acquired in that name, brand and/or appearance by using them.<sup>54</sup> Contrary to the monopoly granted by section 19 which extends across Canada, even in areas where the registrant has no use of its trade-mark, these monopolies – which section 7 aims to protect – obviously imply a goodwill or reputation associated with a particular name or mark.

Author R.S. Jolliffe points out that section 7 of the *Trade-Marks Act* was enacted by Parliament in an attempt to codify and expand upon existing common law remedies for unfair competition, including passing off.<sup>55</sup> Parliament’s authority to adopt trade-mark legislation which codifies a passing off action was recently discussed by the Supreme Court in *Kirkbi AG v. Ritvik Holdings Inc.*<sup>56</sup>

### 6.3.1.1 Constitutional Issues

While patents and copyright are expressly within the exclusive legislative authority of the Parliament of Canada, the *Constitution Act, 1867* is silent with respect to trade-marks.<sup>57</sup> The exclusive legislative authority of the Parliament of Canada also extends to the regulation of trade and commerce. In *Citizens Insurance Co. of Canada v. Parsons*,<sup>58</sup> the Judicial Committee of the Privy Council described two branches of federal power under Parliament’s exclusive jurisdiction in relation to trade and commerce: (1) the power over international and inter-provincial trade and commerce, and (2) the power over general trade in commerce affecting Canada as a whole (“general trade and commerce”).<sup>59</sup> In *Kirkbi AG v. Ritvik Holdings Inc.*,<sup>60</sup> LeBel J. described how a 1937 decision of the Privy Council implicitly ruled that enacting trade-mark legislation fell within Parliament’s trade and commerce powers under section 91(2) of the *Constitution Act, 1867*:

[18] The federal government’s power to legislate with respect to trade-marks has never been the target of a direct constitutional challenge. The issue was raised in the Privy Council in a 1937 decision examining the constitutionality of federal trade-mark legislation. The Privy Council

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<sup>53</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120.

<sup>54</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at 134.

<sup>55</sup> Jolliffe, R. Scott, “The Common Law Doctrine of Passing Off” in Gordon F. Henderson, ed., *Trade-Marks Law of Canada*, Scarborough, Ont.: Carswell, 1993 at 205.

<sup>56</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302.

<sup>57</sup> *Constitution Act, 1867*, section 91(22) and (23).

<sup>58</sup> *Citizens Insurance Co. of Canada v. Parsons* (1881), 7 App. Cas. 96.

<sup>59</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 15.

<sup>60</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302.

judgment relies, albeit implicitly, on the second branch of the trade and commerce powers under s. 91(2) to confirm Parliament's jurisdiction to enact trade-mark legislation: *Attorney-General for Ontario v. Attorney-General for Canada*, [1937] A.C. 405. Lord Atkin for the Privy Council commented as follows (at p. 417):

No one has challenged the competence of the Dominion to pass such legislation. If challenged one obvious source of authority would appear to be the class of subjects enumerated in s. 91(2), the Regulation of trade and commerce, referred to by the Chief Justice. There could hardly be a more appropriate form of the exercise of this power than the creation and regulation of a uniform law of trade marks.

See also *Good Humor Corp. of America v. Good Humor Food Products Ltd.*, [1937] Ex. C.R. 61, at pp. 75-76. More recently in *Royal Doulton Tableware Ltd. v. Cassidy's Ltd.*, [1986] 1 F.C. 357, the Federal Court, Trial Division stated in obiter that "[t]he jurisdiction of Parliament with respect to trade marks has long since been recognized . . . . [I]t may well be that the jurisdiction of Parliament over trade marks, depending as it does on federal authority over 'the regulation of trade and commerce' (see *Attorney-General for Ontario v. Attorney-General for Canada*, *supra*) is intrinsically broader than is Parliament's jurisdiction over 'patents of invention and discovery'" (pp. 374-75).

[19] The constitutionality of specific provisions of the Trade-marks Act has been challenged but the validity of the Act as a whole has never been conclusively determined. The courts have implicitly recognized the validity of this federal legislation in several decisions: see, e.g., *Vapor Canada*; *City National Leasing*; *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.* (1986), 8 C.I.P.R. 232 (F.C.T.D.), rev'd in part [1987] 3 F.C. 544 (C.A.)...<sup>61</sup>

Moreover, as further noted by LeBel J., a Federal Trade-marks Act which deals with both registered and unregistered trade-marks would be a valid exercise of Parliament's general trade and commerce power:

[28] ...The parties do not dispute Parliament's constitutional power to regulate registered trade-marks. Rather, it is Parliament's right to create a civil remedy in relation to an unregistered trade-mark that is in issue. The respondent's position is that the only regulatory scheme in the *Trade-marks Act* is the scheme governing registered trade-marks. In my view this is an incorrect characterization of the Act. The *Trade-marks Act* establishes a regulatory scheme for both registered and unregistered trade-marks.

[29] The protection of unregistered trade-marks is integral to the legitimacy, legal standards and efficacy of registered trade-marks. The *Trade-marks Act* is clearly concerned with trade as a whole, as opposed

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<sup>61</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at paras. 18 and 19.

to within a particular industry. There is no question that trade-marks apply across and between industries in different provinces. Divided provincial and federal jurisdiction could mean that the provincial law could be changed by each provincial legislature. This could result in unregistered trade-marks that were more strongly protected than registered trade-marks, undermining the efficacy and integrity of the federal Parliament's *Trade-marks Act*. The lack of a civil remedy integrated into the scheme of the Act, applicable to all marks, registered or unregistered, might also lead to duplicative or conflicting and hence inefficient enforcement procedures.

...

[31] There is no reason to believe that the registration regime under the *Trade-marks Act* was intended to create two separate enforcement regimes. The scheme set out in the *Trade-marks Act* regulates both registered and unregistered trade-marks. It regulates the adoption, use, transfer, and enforcement of rights in respect of all trade-marks. If trade-marks are intended to protect the goodwill or reputation associated with a particular business and to prevent confusion in the marketplace, then a comprehensive scheme dealing with both registered and unregistered trade-marks is necessary to ensure adequate protection. The inclusion of unregistered trade-marks in the regulatory scheme is necessary to ensure the protection of all trade-marks. The *Trade-marks Act* is more than simply a system of registration.<sup>62</sup>

### 6.3.1.2 Constitutional Validity of Section 7

The constitutional validity of section 7 of the *Trade-marks Act* has been challenged on the basis that it creates causes of action falling within provincial legislative competence. For example, in *Kirkbi AG v. Ritvik Holdings Inc.*,<sup>63</sup> it was alleged that section 7(b) of the *Trade-marks Act* was ultra vires the legislative competence of the Parliament of Canada because it was not linked or connected in any way to the trade-mark registration scheme of the Act.<sup>64</sup>

Further to the decisions of the Supreme Court of Canada in *MacDonald v. Vapor Canada Ltd.*<sup>65</sup> and more recently, in *Kirkbi AG v. Ritvik Holdings Inc.*,<sup>66</sup> it can be stated that while section 7(e) is unconstitutional, sections 7(a), (b), (c) and (d) are, in

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<sup>62</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at paras. 28, 29 and 31.

<sup>63</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302.

<sup>64</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 14.

<sup>65</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134.

<sup>66</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302.

fact, constitutional inasmuch as they give effect to valid federal legislative subjects, namely trade-marks, patents and copyrights.<sup>67</sup>

#### 6.3.1.2.1 Section 7(a)

In *MacDonald v. Vapor Canada Ltd.*,<sup>68</sup> the Supreme Court of Canada suggested that section 7 of the *Act* (with the exception of section 7(e)) was constitutionally valid inasmuch as it rounds out the regulatory schemes described by Parliament in the exercise of its legislative power in relation to patents, copyrights, trade-marks and trade-names. If limited in this way, the subparagraphs of section 7 (excluding section 7(e)) would be sustainable.<sup>69</sup> The constitutional validity of section 7(a) – in the above circumstances – was underlined in *Kirkbi AG v. Ritvik Holdings Inc.*,<sup>70</sup> where LeBel J. restated the Supreme Court's earlier observation in *MacDonald v. Vapor Canada Ltd.*<sup>71</sup> that sections 7(a), (b) and (d) were related to or connected to the enforcement of trade-marks and did relate to and give effect to valid federal legislative subjects, namely trade-marks, patents, and copyrights.<sup>72</sup> In LeBel J.'s restatement, however, trade-names were left unmentioned. Yet, in *Kirkbi*, it was also stated elsewhere that section 7(b) was itself directly connected to the enforcement of trade-marks and trade-names in Canada.<sup>73</sup>

#### 6.3.1.2.2 Section 7(b)

In *Kirkbi AG v. Ritvik Holdings Inc.*,<sup>74</sup> the Supreme Court affirmed the constitutional validity of section 7(b). In ruling that section 7(b) was within the legislative competence of the Parliament of Canada under section 91(2) of the *Constitution Act, 1867*, the Supreme Court restated the three part test to determine if the impugned legislation was within Parliament's constitutional authority:

- (1) Does the impugned provision intrude into a provincial head of power, and to what extent?
- (2) If the impugned provision intrudes into a provincial head of power, is it nevertheless part of a valid federal legislative scheme?
- (3) If the impugned provision is part of a valid federal scheme, is it sufficiently integrated with that scheme?<sup>75</sup>

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<sup>67</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 34; see also section 3.1.2.3 below

<sup>68</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134.

<sup>69</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 172.

<sup>70</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 15.

<sup>71</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 157.

<sup>72</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 34.

<sup>73</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 35.

<sup>74</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302.

<sup>75</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 21.

While section 7(b) was seen as encroaching on property and civil rights, which come under provincial jurisdiction, the intrusion was seen as minimal. On the second part of the test, the Court concluded that the protection of unregistered trade-marks in the regulatory scheme was necessary to ensure the protection of all trade-marks since the *Trade-marks Act* is more than simply a system of registration. Finally, on the third part of the test, the Court concluded that section 7(b) is sufficiently integrated into the federal scheme and is therefore constitutionally valid. To that effect, LeBel J. noted that section 7(b) provides a remedy which constitutes an essential part in the legislative protection of trade-marks:

[33] As outlined above, s. 7(b) of the Act only minimally intrudes into provincial jurisdiction over property and civil rights. It is a remedial provision limited to trade-marks as defined in the Act (ss. 2 and 6). As this Court observed in *Vapor Canada* and the Federal Court of Appeal held in *Asbjorn Hogard A/S*, s. 7(b) “rounds out” the federal trade-marks scheme. In this regard s. 7(b) is, in its pith and substance, directly connected to the enforcement of trade-marks and trade-names in Canada because it is directed to avoiding confusion through use of trade-marks.

...

[35] The respondent submits that the civil action in s. 7(b) has no functional connection to the registered trade-mark scheme in the Trade-marks Act. Having concluded that the Act creates a scheme regulating both registered and unregistered trade-marks, the functional relation of s. 7(b) to the scheme in the Trade-marks Act is apparent. In its pith and substance, s. 7(b) is directly connected to the enforcement of trade-marks and trade-names in Canada: the civil remedy in s. 7(b) protects the goodwill associated with trade-marks and is directed to avoiding consumer confusion through use of trade-marks. As Gill and Jolliffe note: “No provision of s. 7 is more inextricably linked to the overall scheme of the Trade-marks Act than is s. 7(b)” (p. 2□22).

[36] Unlike breach of confidence and appropriation of confidential information (s. 7(e)), the passing-off action plays a clear role in the federal scheme. Without this provision there would be a gap in the legislative protection of trade-marks. This would create inconsistencies in the protection of registered and unregistered trade-marks and lead to uncertainty. Section 7(b) is sufficiently integrated into the federal scheme and, in this respect, is significantly different from s. 7(e). I conclude that s. 7(b) lies within the federal government’s legislative competence...<sup>76</sup>

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<sup>76</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at paras. 33, 35, 36.

### 6.3.1.2.3 Section 7(c)

In *MacDonald v. Vapor Canada Ltd.*<sup>77</sup> the Supreme Court of Canada suggested that section 7 of the *Act* (with the exception of section 7(e)) was constitutionally valid inasmuch as it rounds out the regulatory schemes described by Parliament in the exercise of its legislative power in relation to patents, copyrights, trade-marks and trade-names. If limited in this way, the subparagraphs of section 7 (excluding section 7(e)) would be sustainable.<sup>78</sup> Although any reference to the constitutional validity of section 7(c) – in the above circumstances – was omitted by LeBel J. in *Kirkbi AG v. Ritvik Holdings Inc.*<sup>79</sup> when he restated the Supreme Court's earlier observation in *MacDonald v. Vapor Canada Ltd.*<sup>80</sup> – that sections 7(a), (b) and (d) were related to or connected to the enforcement of trade-marks and did relate to and give effect to valid federal legislative subjects, namely trade-marks, patents and copyrights – he did mention that section 7(c) explicitly targets passing off<sup>81</sup> (albeit a particular kind of passing off *i.e.* substituting wares or services for those ordered or requested), thereby suggesting that section 7(c) was also constitutionally valid, within the above limits. Moreover, in *MacDonald v. Vapor Canada Ltd.*,<sup>82</sup> Laskin C.J. strongly suggested that sections 7(a) through 7(d) (which would obviously include section 7(c)) gave effect to heads of legislative power in relation to patents, copyrights, trade-marks and trade-names<sup>83</sup> and were thus sustainable to that extent. Finally, it is to be noted that the constitutionality of section 7(c) was affirmed – again, insofar as it rounds out the trade-mark scheme of the *Act* – by MacGuigan J. in *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*<sup>84</sup>

### 6.3.1.2.4 Section 7(d)

In *MacDonald v. Vapor Canada Ltd.*,<sup>85</sup> the Supreme Court of Canada suggested that section 7 of the *Act* (with the exception of section 7(e)) was constitutionally valid inasmuch as it rounds out the regulatory schemes described by Parliament in the exercise of its legislative power in relation to patents, copyrights, trade-marks and trade-names. If limited in this way, the subparagraphs of section 7 (excluding section 7(e)) would be sustainable.<sup>86</sup> The constitutional validity of section 7(d) – in the above

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<sup>77</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134.

<sup>78</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 172.

<sup>79</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302.

<sup>80</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 157.

<sup>81</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 62.

<sup>82</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134.

<sup>83</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 172.

<sup>84</sup> *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.* (1987), 14 C.P.R. (3d) 314 at 324 (F.C.A.); see also *Dumont Vins & Spiritueux Inc. v. Celliers du Monde Inc.*, [1992] 2 F.C. 634 at 650 (F.C.A.).

<sup>85</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134.

<sup>86</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 172.

circumstances – was underlined in *Kirkbi AG v. Ritvik Holdings Inc.*,<sup>87</sup> where LeBel J. restated the Supreme Court's earlier observation in *MacDonald v. Vapor Canada Ltd.*<sup>88</sup> that sections 7(a), (b) and (d) were related to or connected to the enforcement of trade-marks and did relate to and give effect to valid federal legislative subjects, namely trade-marks, patents, and copyrights.<sup>89</sup> In LeBel J.'s restatement, however, trade-names were left unmentioned. Yet, in *Kirkbi*, it was also stated elsewhere that section 7(b) was itself directly connected to the enforcement of trade-marks and trade-names in Canada.<sup>90</sup>

#### 6.3.1.2.5 Section 7(e)

In *MacDonald v. Vapor Canada Ltd.*,<sup>91</sup> section 7(e) was found unconstitutional by the Supreme Court of Canada as it creates a civil cause of action falling within provincial legislative competence. Laskin C.J. emphasized the point:

Overall, whether s. 7(e) be taken alone or, more properly, as part of a limited scheme reflected by s. 7 as a whole, the net result is that the Parliament of Canada has, by statute, either overlaid or extended known civil causes of action, cognizable in the provincial courts and reflecting issues falling within provincial legislative competence. In the absence of any regulatory administration to oversee the prescriptions of s. 7 (and without coming to any conclusion on whether such an administration would in itself be either sufficient or necessary to effect a change in constitutional result), I cannot find any basis in federal power to sustain the unqualified validity of s. 7 as a whole or s. 7(e) taken alone. It is not a sufficient peg on which to support the legislation that it applies throughout Canada when there is nothing more to give it validity.<sup>92</sup>

...

The plain fact is that s. 7(e) is not a regulation, nor is it concerned with trade as a whole nor with general trade and commerce. In a loose sense every legal prescription is regulatory, even the prescriptions of the *Criminal Code*, but I do not read s. 91(2) as in itself authorizing federal legislation that merely creates a statutory tort, enforceable by private action, and applicable, as here, to the entire range of business relationships in any activity, whether the activity be itself within or beyond federal legislative authority.<sup>93</sup>

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<sup>87</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302.

<sup>88</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 157.

<sup>89</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 34.

<sup>90</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 35.

<sup>91</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134.

<sup>92</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 156.

<sup>93</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 164.



...

One looks in vain for any regulatory scheme in s. 7, let alone s. 7(e). Its enforcement is left to the chance of private redress without public monitoring by the continuing oversight of a regulatory agency which would at least lend some colour to the alleged national or Canada-wide sweep of s. 7(e). The provision is not directed to trade but to the ethical conduct of persons engaged in trade or in business, and, in my view, such a detached provision cannot survive alone unconnected to a general regulatory scheme to govern trading relations going beyond merely local concern. Even on the footing of being concerned with practices in the conduct of trade, its private enforcement by civil action gives it a local cast because it is as applicable in its term to local or intraprovincial competitors as it is to competitors in interprovincial trade.<sup>94</sup>

### 6.3.1.3 Forum for section 7 claims

The Federal Court – a creature of statute – has no jurisdiction apart from what is expressly conferred on it by Parliament; that jurisdiction can only be given to it in respect of an existing body of federal law which is essential to the disposition of the case.<sup>95</sup> For this reason, the Federal Court does not have jurisdiction to hear a common law action of passing off. Any jurisdiction the Federal Court can have on the issue of passing off must be based under section 7 of the *Act* and a “trade-mark scheme” must be pleaded thereunder and established by evidence.<sup>96</sup>

Provincial courts may also hear claims based on section 7 of the *Act*<sup>97</sup> and, of course, actions based on common law passing off<sup>98</sup>. The fact that provincial courts (as opposed to the Federal Court) may also hear claims based on section 7 does not change the scope of such claims as section 7 is constitutionally valid inasmuch as it rounds out the regulatory schemes described by Parliament in the exercise of its legislative power in relation to patents, copyrights, trade-marks and trade-names.<sup>99</sup> The limits in the application of section 7 which render it constitutional, as discussed

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<sup>94</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 165.

<sup>95</sup> *Dumont Vins & Spiritueux Inc. v. Celliers du Monde Inc.*, [1992] 2 F.C. 634 at 649 (F.C.A.); see section 55 of the *Trade-marks Act*, R.S.C. 1985, c. T-13.

<sup>96</sup> *Top Notch Construction Ltd. v. Top-Notch Oilfield Services Ltd.* (2001), 13 C.P.R. (4th) 515 at para. 31 (F.C.T.D.).

<sup>97</sup> *9055-6473 Québec Inc. v. Montréal Auto Prix Inc.*, 2006 QCCA 627 (Q.C.A.) at para. 21; *Dumont Vins & Spiritueux Inc. v. Celliers du Monde Inc.*, [1992] 2 F.C. 634 at 649 (F.C.A.); see section 20 of the *Federal Courts Act*, R.S.C. 1985, c. F-7 where the Federal Court’s concurrent jurisdiction is outlined in s. 20(2); see also sections 52 and 53.2 of the *Trade-marks Act*, R.S.C. 1985, c. T-13.

<sup>98</sup> *The Registered Public Accountants Association of Alberta v. The Society of Professional Accountants of Canada*, [2000] F.C.J. No. 1123 at para. 7 (F.C.T.D.).

<sup>99</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 172.

above, do not change for claims heard in provincial courts since legislation (such as section 7) sought to be enforced in provincial courts must, of course, be legislation which it was competent for Parliament to pass.<sup>100</sup> Accordingly, whether it be before the Federal Court or provincial courts, neither could hear a claim based on section 7 of the *Act* for any alleged violation which could not be traced back to the enforcements of the regulatory schemes prescribed by Parliament in the exercise of its legislative power, as described above; this was recognized by Sexton J. in *Kirkbi AG v. Ritvik Holdings Inc.*<sup>101</sup> when he wrote that what distinguishes the common law action of passing off from a passing off action under section 7(b) is that in the common law action, a litigant need not rely on a trade-mark to make use of the action while to bring a passing off action under the *Act*, one must have a valid trade-mark within the meaning of the *Act*.<sup>102</sup> This suggests that claims based on passing off at common law and section 7 respectively are not entirely identical in scope, a point that will be further developed.

### 6.3.2 Conditions for the application of Section 7

Section 7 is the successor of section 11 of the *Unfair Competition Act, 1932*.<sup>103</sup> It is an expanded version of its antecedent provision.<sup>104</sup> Section 7 outlines a code of conduct for fair competition where certain specific acts are prohibited. An action will therefore lie should the code of conduct be breached.<sup>105</sup>

As party to the Convention of the Union of Paris made on March 20, 1883 (established by the *Paris Convention for the Protection of Industrial Property*) and any amendments and revisions thereof to which it is party, Canada has an obligation to protect nationals of the countries of the Union from acts of unfair competition.<sup>106</sup> In order to satisfy its obligations under the Convention, the *Trade-marks Act* details in section 7 an expanded list of prohibited acts, some of which were based on section 11 of the prior *Unfair Competition Act, 1932*. Section 11 of the *Unfair Competition Act, 1932* was based upon article 10 bis. of the *International Convention for the Protection of Industrial Property*, as revised at the Hague on November 6, 1925.<sup>107</sup>

In conjunction with section 53.2, section 7 of the *Trade-marks Act* provides a statutory

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<sup>100</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 140.

<sup>101</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2004] 2 F.C.R. 241 (F.C.A.).

<sup>102</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2004] 2 F.C.R. 241 at para. 38 (F.C.A.).

<sup>103</sup> *Unfair Competition Act, 1932*, 22-23 George V, c. 38.

<sup>104</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 142.

<sup>105</sup> H.G. Richard et al., *Canadian Trade-marks Act Annotated*, loose-leaf, Toronto: Thomson Carswell, at 7-2.

<sup>106</sup> H.G. Richard et al., *Canadian Trade-marks Act Annotated*, loose-leaf, Toronto: Thomson Carswell, at 7-2.

<sup>107</sup> *S. & S. Industries Inc. v. Rowell*, [1966] S.C.R. 419 at 425.

basis for relief against the unfair trade practices described therein.

The Supreme Court of Canada has had the opportunity to describe the various prohibited acts of section 7's code of conduct.

### 6.3.2.1 Section 7(a)

In *McDonald v. Vapor Canada Ltd.*,<sup>108</sup> Laskin C.J. indicated the following concerning section 7(a):

... s. 7(a) is the equivalent of the tort of slander of title or injurious falsehood, albeit the element of malice, better described as intent to injure without cause or excuse, is not included as it is in the common law action: see Fleming on Torts (4th ed. 1971), at p. 623. Section 7(b) is a statutory statement of the common law action of passing off, which is described in Fleming on Torts, *supra*, at p. 626 as “another form of misrepresentation concerning the plaintiff’s business... which differs from injurious falsehood in prejudicing the plaintiff’s goodwill not by deprecatory remarks but quite to the contrary by taking a free ride on it in pretending that one’s own goods or services are the plaintiff’s or associated with or sponsored by him”. It differs from injurious falsehood in that “it is sufficient that the offensive practice was calculated or likely, rather than intended, to deceive”.<sup>109</sup>

In the earlier case of *S. & S. Industries Inc. v. Rowell*,<sup>110</sup> where legal warnings were made by a defendant to protect its patent – that was subsequently declared invalid – to customers of the plaintiff who, as a result, suffered serious losses in his trade, Martland J. offered the following characterization of section 7(a) and indicated that malice was not a relevant consideration in its application (except on the issue of damages):

The combined effect of ss. 7(a) and 52 of the *Trade Marks Act* is to create a statutory cause of action for which damages may be awarded if a person is damaged by false or misleading statements by a competitor tending to discredit the claimant’s business, wares or services. The essential elements of such an action are:

1. A false or misleading statement;
2. Tending to discredit the business, wares or services of a competitor; and
3. Resulting damage.<sup>111</sup>

...

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<sup>108</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 147.

<sup>109</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 147.

<sup>110</sup> *S. & S. Industries Inc. v. Rowell*, [1966] S.C.R. 419.

<sup>111</sup> *S. & S. Industries Inc. v. Rowell*, [1966] S.C.R. 419 at 424.

In my opinion, the natural meaning of s. 7(a) is to give a cause of action, in the specified circumstances, in respect of statements which are, in fact, false and the presence or absence of malice would only have relevance in relation to the assessment of damages.<sup>112</sup>

Furthermore, in *Riello Canada, Inc. v. Lambert*,<sup>113</sup> Strayer J. held that section 7(a) of the *Trade-marks Act* precludes a registered patentee from making untrue statements as to the scope of his patent to the detriment of others; in other words, the provision seeks to prevent the abuse of rights conferred by federal law.<sup>114</sup> Finally, section 7(a) cannot be read as generally prohibiting the making of false or misleading statements tending to discredit the business, wares or services of a competitor but only as prohibiting the making of such false and misleading statements in association with a trade-mark or other intellectual property.<sup>115</sup>

In order to be actionable under section 7(a), the statements must be directed to persons in Canada.<sup>116</sup> Furthermore, in the absence of any proof that the statements caused harm, the claim under section 7(a) will be dismissed.<sup>117</sup>

In *The Canadian Copyright Licensing Agency v. The Business Depot Ltd.*,<sup>118</sup> de Montigny, J. upheld a prothonotary's decision to strike out a counterclaim grounded in section 7(a). The counterclaim was advanced against a plaintiff who claimed copyright infringement and who issued a press release describing the action and the defendant's activities. The defendant's real complaint was the content of the plaintiff's comments made about the defendant's activities in the press release. Since the counterclaim did not plead that the parties were competitors (the plaintiff is a not-for-profit agency which possesses and enforces exclusive copyrights on behalf of its members and the defendant is a seller of business supplies and a provider of copying services), the counterclaim had no chance of success. In addition, since the press release did not impugn the defendant's intellectual property or amount to a threat to sue third persons who might deal with the defendant in respect to the allegedly infringing copies made at the defendant's premises, the necessary connection between the impugned statements and intellectual property was absent. Hence, the section 7(a) claim had no chance of success.

### 6.3.2.2 Section 7(b)

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<sup>112</sup> *S. & S. Industries Inc. v. Rowell*, [1966] S.C.R. 419 at 425.

<sup>113</sup> *Riello Canada, Inc. v. Lambert* (1986), 9 C.P.R. (3d) 324 (F.C.T.D.).

<sup>114</sup> *Riello Canada, Inc. v. Lambert* (1986), 9 C.P.R. (3d) 324 at 340 (F.C.T.D.).

<sup>115</sup> *Mattel Canada Inc. v. GTS Acquisitions Ltd.* (1989), 28 C.P.R. (3d) 534 at 536 (F.C.T.D.).

<sup>116</sup> *M.K. Plastics Corporation v. Plasticair Inc.*, 2007 FC 574

<sup>117</sup> *M.K. Plastics Corporation v. Plasticair Inc.*, 2007 FC 574

<sup>118</sup> *The Canadian Copyright Licensing Agency v. The Business Depot Ltd.* 2008 FC 737

In *MacDonald v. Vapor Canada Ltd.*,<sup>119</sup> Laskin C.J. described section 7(b) in the following fashion:

Section 7(b) is a statutory statement of the common law action of passing off, which is described in Fleming on Torts, *supra*, at p. 626 as “another form of misrepresentation concerning the plaintiff’s business... which differs from injurious falsehood in prejudicing the plaintiff’s goodwill not by deprecatory remarks but quite to the contrary by taking a free ride on it in pretending that one’s own goods or services are the plaintiff’s or associated with or sponsored by him”. It differs from injurious falsehood in that “it is sufficient that the offensive practice was calculated or likely, rather than intended, to deceive”.<sup>120</sup>

In *Kirkbi AG v. Ritvik Holdings Inc.*,<sup>121</sup> LeBel J. characterized section 7(b) in the following fashion:

Section 7(b) creates a civil cause of action that essentially codifies the common law tort of passing off: *Vapor Canada*, at p. 147; *Asbjorn Horgard A/S* (F.C.T.D.), at p. 241.<sup>122</sup>

For its part, in *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.*,<sup>123</sup> the British Columbia Court of Appeal wrote the following:

Whichever standard one applies – the common law or statutory provision – the gist of the action of « passing-off » is that the defendant is attempting to sell its wares, services or business under a description which would mislead customers of the plaintiff into thinking that they were buying the plaintiff’s wares or doing business with the plaintiff.<sup>124</sup>

If it codifies the common law tort of passing, does section 7(b) mirror entirely its conditions of application? The Supreme Court of Canada outlined three conditions in order to succeed in a common law action for passing off. The most recent description of these requirements was given by LeBel J. in *Kirkbi AG v. Ritvik Holdings Inc.*<sup>125</sup> who referred to earlier comments by Gonthier J. in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*<sup>126</sup>:

[66] Our Court appears to have adopted the tripartite classification in *Ciba-Geigy*. In that case, our Court allowed a passing-off action in respect of the get-up of a prescription drug. Gonthier J. reviewed some of the earlier jurisprudence and stated that claimants had to establish

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<sup>119</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 147.

<sup>120</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 147.

<sup>121</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 23.

<sup>122</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 23.

<sup>123</sup> *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.* (1990), 30 C.P.R. (3d) 174 (B.C.C.A.).

<sup>124</sup> *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.* (1990), 30 C.P.R. (3d) 174 at 179 (B.C.C.A.).

<sup>125</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 23.

<sup>126</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120.

three elements in order to succeed in a passing-off action:

The three necessary components of a passing-off action are thus: the existence of goodwill, deception of the public due to a misrepresentation and actual or potential damage to the plaintiff. [p. 132]

[67] The first component is goodwill or reputation. The claimant must establish goodwill in respect of the distinctiveness of the product (*Ciba-Geigy*, at pp. 132-33; *Oxford Pendaflex Canada Ltd. v. Korr Marketing Ltd.*, [1982] 1 S.C.R. 494, at pp. 504 and 507, *per* Estey J.). Evidence of goodwill solely attached to the techniques and processes which create the product will not do. The doctrine of passing off did not develop to protect monopolies in respect of products but of guises, get-ups, names and symbols which identify the distinctiveness of a source.

[68] The second component is misrepresentation creating confusion in the public. Misrepresentation may be wilful and may thus mean the same thing as deceit. But now the doctrine of passing off also covers negligent or careless misrepresentation by the trader (*Ciba-Geigy*, at p. 133; *Consumers Distributing Co. v. Seiko Time Canada Ltd.*, [1984] 1 S.C.R. 583, at p. 601, *per* Estey J.). In this respect, the trial judge's interpretation of this component was too narrow and not consistent with the jurisprudence of our Court or the modern developments of the law of passing off...<sup>127</sup>

In *Kirkbi AG*, LeBel J. restated without further comment the third condition mentioned by Gonthier J. in *Ciba-Geigy*, *i.e.* actual or potential damage to the plaintiff. Thus, a plaintiff need not wait for economic losses before it can initiate its action for passing and stop confusion that will eventually affect it financially.<sup>128</sup>

On the first condition, *i.e.* the existence of goodwill, Binnie J. wrote in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*<sup>129</sup> that goodwill connotes the positive association that attracts customers towards an owner's wares or services rather than those of its competitors.<sup>130</sup>

In *Ciba-Geigy*, Gonthier J. also stated, on the first part of the test, that in any passing off action, the plaintiff, in order to succeed, must establish that its product has acquired a secondary meaning.<sup>131</sup>

In *Mattel, Inc. v. 3894207 Canada Inc.*,<sup>132</sup> Binnie J. confirmed the second and third

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<sup>127</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at paras. 66, 67 and 68.

<sup>128</sup> *9055-6473 Québec Inc. v. Montréal Auto Prix Inc.*, 2006 QCCA 627 (Q.C.A.) at para. 44.

<sup>129</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, [2006] 1 S.C.R. 824.

<sup>130</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, [2006] 1 S.C.R. 824 at paras. 50 and 52.

<sup>131</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at 132 and 133.

<sup>132</sup> *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] 1 S.C.R. 772; see also *Yvon Drolet v. Stiftung Gralsbotchafgt et Fondation du Mouvement du Graal Canada* 2009 CF 17 where the Federal Court

parts of the test namely that in an action for passing off, it is necessary for the plaintiff to show that the defendant intentionally or negligently misled consumers into believing its business originated with the plaintiff and that the latter thereby suffered damage.<sup>133</sup>

These three conditions initially outlined in *Ciba-Geigy* are those referred to generally by the Courts when applying section 7(b). For example, in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*,<sup>134</sup> Tremblay-Lamer J. referred to *Ciba-Geigy* to review the conditions of application of section 7(b):

[82] Paragraph 7(b) is a statutory statement of the tort of passing-off. This is a form of misrepresentation by which a businessman profits from someone else's goodwill gratuitously by pretending that his products, services or business are those of the other person (*MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134).

[83] In order to succeed in an action for passing-off, a plaintiff must establish three points: the existence of goodwill, the deceptive representation which has misled the public and actual or potential damage to the plaintiff (*Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120).<sup>135</sup>

However, jurisprudence also provides a few nuances on this issue. As mentioned earlier, for constitutional reasons, a “trade-mark scheme” must be argued if section 7(b) is to be applied. Of course, trade-marks come in various forms: Some are made up of words only; others include design features. However, in all cases, each is “a symbol of a connection between a source of a product and the product itself”<sup>136</sup> as LeBel J. wrote in *Kirkbi AG v. Ritvik Holdings Inc.*<sup>137</sup> Therefore, it is only when it cannot rely on any trade-mark that a plaintiff must resort to the common law action of passing off in lieu of a claim under section 7(b); this is what Sexton J. had in mind when he wrote that what distinguishes the common law action of passing off from the statutory action under section 7(b) is that in the common law action, a litigant need not rely on a trade-mark to make use of the action.<sup>138</sup> Of course, one may consider in what limited circumstances this might occur since the Supreme Court of Canada indicated that the doctrine of passing off developed to protect guises, get-ups, names

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dismissed the section 7(b) claim because the second part of the test had not been met.

<sup>133</sup> *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] 1 S.C.R. 772 at para. 27.

<sup>134</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* (2003), 28 C.P.R. (4th) 520 (F.C.T.D.) (affirmed by *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* (2004), 35 C.P.R. (4th) 1 (F.C.A.); affirmed by *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, [2006] 1 S.C.R. 824).

<sup>135</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* (2003), 28 C.P.R. (4th) 520 at paras. 82 and 83 (F.C.T.D.).

<sup>136</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 39.

<sup>137</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302.

<sup>138</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2004] 2 F.C.R. 241 at para. 38 (F.C.A.).

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and symbols which identify the distinctiveness of a source,<sup>139</sup> which can be described as “trade-marks”, in the broadest sense. To emphasize how distinctive indicia can be viewed as a “trade-mark”, reference can be made to the U.S. case of *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*,<sup>140</sup> referred to by Binnie J. in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*,<sup>141</sup> where the U.S. Court of Appeals for the Second Circuit found that the plaintiff had a trade-mark in the arbitrary design of its uniform.

To illustrate a common law action of passing off that could not be initiated under section 7(b), one may suggest the scenario of a plaintiff pleading that a defendant has directed public attention to its advertising services and to its directories in such a way as to cause or to be likely to cause confusion in Canada between the parties’ respective advertising services, without alleging any specific trade-mark indicia (in the broadest sense). Such was the scenario examined by Gibson J. in *Ital-Press Ltd. v. Sicoli*,<sup>142</sup> where the Court confirmed the lack of jurisdiction of the Federal Court with respect to the common law action of passing off; additionally, it emphasized that section 7 can only be invoked where a “trade-mark scheme” is pleaded and established by evidence. The following circumstances raised by the plaintiff did not meet the latter criteria:

[149] In the Amended Statement of Claim filed the 4<sup>th</sup> of February, 1998, the plaintiff alleges that it enjoys goodwill in the geographical area of Alberta and enjoys a reputation as a provider of good quality telephone directories containing information relevant to the geographical area of Alberta. The plaintiff further pleads that the defendants directly and through their agents, have actively misled potential advertisers to believe that they were purchasing advertising space in the Guida and not in the Directories and that the defendants were the licensees or successors of the plaintiff. The plaintiff pleads that the acts and conduct of the defendants were at all material times calculated to deceive and mislead and that they have in fact deceived and misled the trade and general public. Further, the plaintiff pleads that the defendants have directed public attention to their advertising services and to their directories in such a way as to cause or to be likely to cause confusion in Canada between their advertising services and the advertising services of the plaintiff. In the result, the plaintiff pleads that the defendants have passed off their Directories and their advertising services as and for the Guidas and the advertising services of the plaintiff. Thus, the issue of passing-off is raised.

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<sup>139</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 67.

<sup>140</sup> *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979).

<sup>141</sup> *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, [2006] 1 S.C.R. 824 at para. 66.

<sup>142</sup> *Ital-Press Ltd. v. Sicoli* (1999), 86 C.P.R. (3d) 129 (F.C.T.D.).



[155] From the foregoing, I conclude that section 7 of the *Trade-marks Act* can only be invoked where a "trade marks scheme" is pleaded and established by evidence. On the material and evidence before me, no "trade marks scheme" is either pleaded or established in evidence.<sup>143</sup>

Another nuance can be found in the words of MacGuigan J. in *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*,<sup>144</sup> who did mention that section 7(b) was a statutory statement of the common law of passing off,<sup>145</sup> but added that section 7(b) had 3 elements which do not entirely mirror the requirements of the common law action of passing off which were subsequently described by the Supreme Court in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*:<sup>146</sup>

Subsection 7(b) has 3 elements. It provides that no person shall (1) *direct public attention* to his wares, services or business (2) in such a way as to *cause* or be likely to cause *confusion* in Canada (3) at the *time he commenced so to direct attention* to them, between his wares, services or business and the wares, services or business of another. What is deemed to cause confusion is explained in s. 6, particularly in s-s. (2), (3) and (5), which are as follows:

6(2) The use of a trade mark causes confusion with another trade mark if the use of both trade marks in the same area would be likely to lead to the inference that the wares or services associated with such trade marks are manufactured, sold, leased, hired or performed by the same person, whether or not such wares or services are of the same general class.

(3) The use of a trade mark causes confusion with a trade name if the use of both the trade mark and trade name in the same area would be likely to lead to the inference that the wares or services associated with the trade mark and those associated with the business carried on under such trade name are manufactured, sold, leased, hired or performed by the same person, whether or not such wares or services are of the same general class.

...

(5) In determining whether trade marks or trade names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including:

- (a) the inherent distinctiveness of the trade marks or trade names and the extent to which they have become known;
- (b) the length of time the trade marks or trade names have

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<sup>143</sup> *Ital-Press Ltd. v. Sicoli* (1999), 86 C.P.R. (3d) 129 at paras. 149 and 155 (F.C.T.D.).

<sup>144</sup> *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.* (1987), 14 C.P.R. (3d) 314.

<sup>145</sup> *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.* (1987), 14 C.P.R. (3d) 314 at 327.

<sup>146</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120.

been in use;  
(c) the nature of the wares, services or business;  
(d) the nature of the trade; and  
(e) the degree of resemblance between the trade marks or trade names in appearance or sound or in the ideas suggested by them.<sup>147</sup>

MacGuigan J. highlighted the connection between the concept of “confusion” mentioned in subsection 7(b) and the criteria to measure confusion between trade-marks and trade names in section 6. Although trade-marks are not mentioned in section 7(b) but since the provision is only constitutionally valid inasmuch as a trade-mark scheme is argued, it would then appear logical, when applying section 7(b), to refer to section 6 which outlines when confusion is created between trade-marks.

A contrary position was adopted by Gibbs J. in *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.*<sup>148</sup> who indicated that because section 7(b) does not make any reference to the notion of “trade-marks”, there is no connection between section 6 and section 7 and therefore, the merit of a plaintiff’s case must be assessed on the wording of section 7(b) alone.<sup>149</sup>

Of course, the concept of confusion relating to source described in section 6 would not appear to be radically different from the “confusion” test for the passing off action at common law since the intent to deceive is no longer a requirement thereunder as Gonthier J. noted in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*:<sup>150</sup>

In *Consumers Distributing Co. v. Seiko Time Canada Ltd.*, [1984] 1 S.C.R. 583, this Court noted at p. 601 that the requirements of a passing-off action have evolved somewhat in the last hundred years:

...attention should be drawn to the fact that the passing off rule is founded upon the tort of deceit, and while the original requirement of an intent to deceive died out in the mid-1800’s, there remains the requirement, at the very least, that confusion in the minds of the public be a likely consequence by reason of the sale, or proffering for sale, by the defendant of a product not that of the plaintiff’s making, under the guise or implication that it was the plaintiff’s product or the equivalent.

A manufacturer must therefore avoid creating confusion in the public

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<sup>147</sup> *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.* (1987), 14 C.P.R. (3d) 314 at 330.

<sup>148</sup> *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.* (1989), 24 C.I.P.R. 70 (B.C.S.C.) (affirmed by *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.* (1990), 30 C.P.R. (3d) 174 (B.C.C.A.)) where the Court noted that an “element of deceit” was an essential condition of the common law action of passing off, a view not shared by the Supreme Court of Canada a few years later in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at 133).

<sup>149</sup> *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.* (1989), 24 C.I.P.R. 70 at 88 (B.C.S.C.).

<sup>150</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120.

mind, whether deliberately or not, by a get-up identical to that of a product which has acquired a secondary meaning by reason of its get-up.<sup>151</sup>

In *Eli Lilly & Co. v. Novopharm Ltd.*,<sup>152</sup> Desjardins J. of the Federal Court of Appeal also confirmed that the type of “confusion” found in section 7(b) of the *Trade-marks Act* is confusion as to source:

[58] The appellants also take issue with Trial Judge’s finding of no “significant likelihood of confusion” which, they say, is not the proper legal test. They correctly point out that the word “significant” is not found in paragraph 7(b) of the Act. The case law surrounding the passing-off requires, however, evidence of confusion that exceeds the *de minimis* threshold. The Trial Judge based her statements that there must be “some evidence adequate to support a finding of likelihood of confusion” and that “What degree of likelihood of confusion will support a passing-off claim varies with the particular facts of each case” upon accurate interpretations of the authorities which she cited.

[59] There are no magic words to be used to determine the level to be reached. One can find in the case law phrases such as “significant likelihood of confusion”, “no reasonable likelihood of confusion”, “real likelihood of confusion”, “substantial number” (of prospective consumers would be deceived) and “significant percentage”. [endnotes omitted].

[60] Her approach is also supported by the passage from *Roche Products Ltd. v. Berk Pharmaceuticals Ltd.*, [1973] R.P.C. 473, that was quoted by the Supreme Court in *Ciba-Geigy* to the effect that:

What must first be shown is that a substantial body of patients would have come to attribute the plaintiff’s product, by reason of colour, shape, size, number, groove on one side, and some word or the other, to some one trade source or provenance. [Emphasis in text.]<sup>153</sup>

More recently, in *Positive Attitude Safety System Inc. v. Albian Sands Energy Inc.*,<sup>154</sup> Pelletier J. of the Federal Court of Appeal highlighted the connection between section 7(b) and section 6 of the *Trade-marks Act* which defines confusion – and even with section 4 which defines use:

[30] Before there can be a contravention of paragraph 7(b) of the *Trade-marks Act*, there must be evidence of confusion or the likelihood of confusion. Confusion in relation to trade-marks is defined at

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<sup>151</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at 133.

<sup>152</sup> *Eli Lilly & Co. v. Novopharm Ltd.*, [2001] 2 F.C. 502 (F.C.A.).

<sup>153</sup> *Eli Lilly & Co. v. Novopharm Ltd.*, [2001] 2 F.C. 502 at paras. 58, 59 and 60 (F.C.A.).

<sup>154</sup> *Positive Attitude Safety System Inc. v. Albian Sands Energy Inc.* (2005), 43 C.P.R. (4th) 418 (F.C.A.).

subsection 6(2) of the *Trade-marks Act*:

6. . . (2) The use of a trade-mark causes confusion with another trade-mark if the use of both trade-marks in the same area would be likely to lead to the inference that the wares or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class

[31] Confusion arises from the use of a trade-mark. The definition of "use" of a trade-mark in relation to goods is found at section 4 of the *Trade-marks Act*:

4. (1) A trade-mark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred.

[32] Use of a trade-mark in association with wares requires the transfer of property in goods in the course of trade. Consequently, if no goods are transferred in the course of trade, there can be no confusion. The motions Judge's factual conclusions as to the appellants' dealing with the PASS system establish that the appellants were not engaged in trading with regard to that system. There is nothing in the record to suggest that the appellants' use of ASESS, considered as a trade-mark, caused any confusion with the respondents' trade-marks.

[33] There is a suggestion that the similarity between the content of the ASESS system and the PASS system caused confusion between them but confusion, for trade-marks purposes, is confusion between trade-marks and between trade-marks and trade-names. See subsections 6(2), (3) and (4). As a result, if the appellants were not trading in the PASS system, and if no issue of confusion arises with respect to ASESS considered as a trade-mark, there can be no confusion and no contravention of paragraph 7(b).<sup>155</sup>

The reference to section 4 in *Positive Attitude Safety System Inc.* is to be compared to an earlier decision of the Federal Court of Appeal in *Enterprise Car and Truck Rentals Ltd. v. Enterprise Rent-A-Car Co.*,<sup>156</sup> where the Court concluded that a plaintiff need not establish that it "adopted" its trade-mark in accordance with sections 3, 4 and 5 of the *Trade-marks Act* in order to succeed under section 7(b):

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<sup>155</sup> *Positive Attitude Safety System Inc. v. Albian Sands Energy Inc.* (2005), 43 C.P.R. (4th) 418 at paras. 30, 31, 32, and 33 (F.C.A.).

<sup>156</sup> *Enterprise Car and Truck Rentals Ltd. v. Enterprise Rent-A-Car Co.* (1998), 79 C.P.R. (3d) 45 (F.C.A.).

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[5] Counsel for the appellants concedes that, under the common law, a plaintiff in a passing off action need not prove that he has used his mark in Canada or that he has made it well known in Canada. He says, however, that the situation is different when the action is brought in the Federal Court which has no jurisdiction to hear and decide an action for passing off based on the common law. It is now established that paragraph 7(b) is constitutionally valid only insofar as it protects trade-marks. In spite of the generality of its terms, that provision must, therefore, be read as referring only to the protection of trade-marks, registered or unregistered. The plaintiff, in an action under paragraph 7(b) must, therefore, prove that he “owns” a trade-mark that is in need of protection. It is well known that a trade-mark is “acquired by adoption and use”. As sections 3 and following prescribe how a mark is deemed to be adopted for the purposes of the Act, it follows, according to counsel, that the plaintiff in an action for passing off under paragraph 7(b) of the Act must necessarily prove that he is deemed by section 3 to have adopted the trade-mark in question.

[6] There is, in my opinion, an obvious error in that reasoning.

[7] Section 3, 4 and 5 of the *Trade-marks Act* do not, as counsel for the appellants assumes, prescribe substantive rules governing the acquisition and use of trade-marks. These sections are grouped with sections 2 and 6 under the heading “Interpretation”. Section 2 contains definitions. Sections 3, 4 and 5 are “deeming” clauses which simply ascribe a special meaning to certain phrases. These three sections must be applied in interpreting the sections of the Act where those phrases are used. Otherwise, they have no role to play.<sup>157</sup>

It is worth mentioning that the statutory claim under section 7(b) has a time component as the plaintiff must establish that there was likelihood of confusion at the time defendant commenced to direct public attention to his wares, services or business. See, for example, *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*<sup>158</sup> and *Top Notch Construction Ltd. v. Top-Notch Oilfield Services Ltd.*<sup>159</sup>

Finally, depending on the extent of what is claimed as a distinctive guise, get-up, name or symbol by a plaintiff, consideration of non-confusing elements, in appropriate cases, such as the style of lettering, the colouring of signs of the parties or the appearances of the parties’ marks as actually used on signs and boxes is a very relevant consideration in a passing off action at common law.<sup>160</sup> Likewise, in a

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<sup>157</sup> *Enterprise Car and Truck Rentals Ltd. v. Enterprise Rent-A-Car Co.* (1998), 79 C.P.R. (3d) 45 at paras. 5, 6 and 7 (F.C.A.).

<sup>158</sup> *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.* (1987), 14 C.P.R. (3d) 314 at 330 (F.C.A.).

<sup>159</sup> *Top Notch Construction Ltd. v. Top-Notch Oilfield Services Ltd.* (2001), 13 C.P.R. (4th) 515 at 533 (F.C.T.D.).

<sup>160</sup> *Mr. Submarine Limited v. Amandista Investments Limited.*, [1988] 3 F.C. 91 at 101 (F.C.A.).

passing off action under section 7(b), these factors are relevant and the Court will consider all elements on a package, for example, in order to determine if a case under section 7(b) has been made out. The Supreme Court of Canada carried out this analysis in *Tartan Brewing Limited v. The Carling Breweries (B.C.) Limited*<sup>161</sup> where Hall J. wrote:

In my view this case falls to be determined from a comparison of the labels and cartons used by the appellant and respondent respectively and which are said to be similar as to cause or to be likely to cause confusion.

...

I do not see how it can be said that a purchaser of Pilsener beer would be deceived or confused or misled into believing that the appellant's "Pilcan" beer was the respondent's "Pil" beer. There is just no appreciable similarity in the labels or cartons that would cause or be likely to cause confusion. The respondent does not sell Pilsener beer in cans. The appellant does not sell its Pilsener beer in bottles. The cartons are as unlike as to beer cartons can be, both in shape and colouring.<sup>162</sup>

Proceedings under section 7(b) are usually commenced by Statement of Claim. However, section 53.2 of the *Trade-marks Act* permits proceedings to be commenced by way of application. In perhaps the only reported decision in which a section 7(b) claim was commenced by way of application, Justice Frenette of the Federal Court dismissed the application on the basis that the applicant had not led any evidence of actual or potential damage or even argued that such damage had been suffered by the applicant.<sup>163</sup> This decision was affirmed on appeal to the Federal Court of Appeal.<sup>164</sup> The Court re-affirmed its holding in *BMW Canada* that damages will not be presumed even where a likelihood of confusion has been demonstrated. A claim for statutory passing off cannot succeed in the absence of evidence of actual or potential damage. This decision underscores the emerging trend of recent trade-mark decisions, all of which stand for the proposition that evidence of damage is required before any relief under section 7(b) will be granted.

### 6.3.2.3 Section 7(c)

In *MacDonald v. Vapor Canada Ltd.*,<sup>165</sup> Laskin C.J. understood section 7(c) as outlining a prohibition which already exists in the ordinary law of contracts:

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<sup>161</sup> *Tartan Brewing Limited v. The Carling Breweries (B.C.) Limited*, [1970] S.C.R. 323.

<sup>162</sup> *Tartan Brewing Limited v. The Carling Breweries (B.C.) Limited*, [1970] S.C.R. 323 at 327.

<sup>163</sup> *Pharmacommunications Holdings Inc. v. Avencia International Inc. et al.*, 2008 FC 828

<sup>164</sup> *Pharmacommunications Holdings Inc. v. Avencia International Inc. et al.*, 2009 FCA 144

<sup>165</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 147 and 148.

Section 7(c) is a curious provision to be armed with a civil sanction by way of damages when one already exists in the ordinary law of contract. The provision refers to substitution of other goods for those ordered or requested, but there is always the right to reject upon discovery of the substitution, and if the substituted goods are knowingly accepted there would appear to be no relief. If s. 7(c) purports to give additional relief even if the substituted goods are knowingly accepted, where are the damages? Or does the provision envisage damages arising from failure to deliver the proper goods in time? If so, there is the usual remedy for breach of contract. I can see s. 7(c) in the context of a regulatory regime subject to supervision by a public authority, but its presence under the sanction of a private civil remedy merely emphasizes for me federal intrusion upon provincial legislative power.<sup>166</sup>

However, Laskin C.J. had previously referred to *Eldon Industries Inc. v. Reliable Toy Co. Ltd.*;<sup>167</sup> there, section 7(c) was seen as a codified form of the common law tort of passing off of one's wares for those of another:

Paragraph (c), on the other hand, points to a particular kind of passing off – substituting wares or services for those ordered or requested, as when a product manufactured by A is ordered and the vendor supplies a product made by B as answering the description.<sup>168</sup>

In *Positive Attitude Safety System Inc. v. Albian Sands Energy Inc.*,<sup>169</sup> the Federal Court of Appeal emphasized that for there to be a violation of section 7(c), there must be trade involving trade-marks:

[34] In the same way, the conclusion as to the absence of any trading activity with respect to the PASS system is fatal to the claim of passing off contrary to paragraph 7(c). In order for there to be a violation of paragraph 7(c), there must be trade involving trade-marks.<sup>170</sup>

For his part, LeBel J. in *Kirkbi AG v. Ritvik Holdings Inc.*<sup>171</sup> saw section 7(c) as explicitly targeting “passing off”:

Remedies under the *Trade-marks Act* rely extensively on the historical development of the tort of passing off. In a broad sense, some of the remedies under s. 7, for example s. 7(c) explicitly target “*passing off*”.<sup>172</sup>

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<sup>166</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 147-148.

<sup>167</sup> *Eldon Industries Inc. v. Reliable Toy Co. Ltd.* (1965), 54 D.L.R. (2d) 97 (O.C.A.).

<sup>168</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 152-153.

<sup>169</sup> *Positive Attitude Safety System Inc. v. Albian Sands Energy Inc.* (2005), 43 C.P.R. (4th) 418 (F.C.A.).

<sup>170</sup> *Positive Attitude Safety System Inc. v. Albian Sands Energy Inc.* (2005), 43 C.P.R. (4th) 418 at para. 34 (F.C.A.).

<sup>171</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 62.

<sup>172</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302 at para. 62.

In *Searle Canada Inc. v. Novopharm Ltd.*,<sup>173</sup> the Federal Court of Appeal outlined the three conditions that a plaintiff must satisfy in order to succeed in its passing off action under section 7(c):

In order to succeed in its passing-off action under s. 7(c) of the *Trade-marks Act*, the appellant would have to show that its get-up had acquired a secondary meaning or reputation in the mind of the public such that the public identifies that get-up with the appellant; or at least with some manufacturing source, (as to which see e.g., *John Wyeth & Brothers Ltd. v. M & A. Pharmachem Ltd.*, [1985] F.S.R. 16 (Ch. D.) at p. 29). In addition, confusion in the minds of the public would need to be shown. Moreover, the appellant would have to show that the respondent induced or enabled others to pass off its oral dosage formulations as the appellant's oral dosage formulations.<sup>174</sup>

#### 6.3.2.4 Section 7(d)

In *MacDonald v. Vapor Canada Ltd.*,<sup>175</sup> Laskin C.J. described section 7(d) in the following fashion:

Section 7(d) appears to be directed to the protection of a purchaser or a consumer of wares or services, in contrast with s. 7(a) which involves slander of title or injurious falsehood *qua* a competitor in business. It involves what I would term deceit in offering goods or services to the public, deceit in the sense of material false representations likely to mislead in respect of the character, quality, quantity or composition of goods or services, or in respect of their geographic origin or in respect of their mode of manufacture, production or performance. If any aggrieved person would have a cause of action under s. 53 in respect of damages suffered by him by reason of a breach of s. 7(d), it would ordinarily be expected to arise through breach of contract. One can envisage, of course, a statutory tort of deceit under s. 7(d), but this hardly adds to its constitutional propriety as federal legislation. Whether sounding in contract or in tort, it is not limited to those bases of relief in respect of enterprises or services that are otherwise within federal legislative competence. Again, the issue of a violation of s. 7(d) could as easily arise in a local or intraprovincial transaction as in an interprovincial one; there is nothing in s. 7(d) that emphasizes any interprovincial or transprovincial scope of the prohibition in s. 7(d) so as to establish some connection with federal legislative authority under s.

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<sup>173</sup> *Searle Canada Inc. v. Novopharm Ltd.* (1994), 56 C.P.R. (3d) 213 (F.C.A.).

<sup>174</sup> *Searle Canada Inc. v. Novopharm Ltd.* (1994), 56 C.P.R. (3d) 213 at 229-230 (F.C.A.).

<sup>175</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 148.



91(2) of the *British North America Act*.<sup>176</sup>

Although Laskin C.J. referred to the law of contracts to describe section 7(d), the latter can also be characterized as the codification of what is known as the extended form of passing off. The extension of the action of passing off was described by Danckwerts J. in *Bollinger v. Costa Brava Wine Co. (No. 1)*<sup>177</sup> in the following fashion:

There seems to be no reason why such licence should be given to a person, competing in trade, who seeks to attach to his product a name or description with which it has no natural association, so as to make use of the reputation and goodwill which has been gained by a product genuinely indicated by the name or description. In my view, it ought not to matter that the persons truly entitled to describe their goods by the name and description are a class producing goods in a certain locality, and not merely one individual. The description is part of their goodwill and a right of property. I do not believe that the law of passing-off, which arose to prevent unfair trading, is so limited in scope.<sup>178</sup>

Section 7(d) accordingly prohibits the use of a false description likely to mislead the public as to the character, quality, quantity or composition, the geographical origin or the mode of manufacture, production or performance of wares or services. Although it might be argued, for example, that the descriptive geographical term used by many traders all originating from the same area in question would not be a traditional “trade-mark”, the term in question could be more properly characterized as a certification mark which is a type of trade-mark under section 2 of the *Trade-marks Act*. This “trade-mark” presence under section 7(d) obviously solves any constitutional problems that the absence of any trade-mark scheme would create.

To illustrate a common law action of passing off that could also be initiated under section 7(d), one may suggest the scenario of a plaintiff using a descriptive but well known word or expression to correctly describe the geographic origin of his goods and who sues a competitor who misleads the public by using the same word or expression which is misdescriptive when applied to the defendant’s goods. Such were the circumstances examined by Estey J. in *Consumers Distributing Company Limited v. Seiko Time Canada Ltd.*,<sup>179</sup> when he reviewed the expanded principles of passing off as outlined in *Bollinger v. Costa Brava Wine Co. (No.1)*,<sup>180</sup> there, the key issue was whether the defendant could arrogate to its Spanish wine the word “Champagne” and thereby succeed to any benefits which had accrued to the plaintiffs by reasons of

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<sup>176</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 148.

<sup>177</sup> *Bollinger v. Costa Brava Wine Co. (No. 1)*, [1960] R.P.C. 16 (Ch. Div.).

<sup>178</sup> *Bollinger v. Costa Brava Wine Co. (No. 1)*, [1960] R.P.C. 16 at 31 and 32 (Ch. Div.).

<sup>179</sup> *Consumers Distributing Company Limited v. Seiko Time Canada Ltd.*, [1984] 1 S.C.R. 583.

<sup>180</sup> *Bollinger v. Costa Brava Wine Co. (No.1)*, [1960] R.P.C. 16 (Ch. Div.).

the word “Champagne” having become known in the market as associated with wine produced by the plaintiffs from grapes grown in the District of Champagne, France. Estey J. distinguished this case of passing off from the case of grey marketing that was submitted to the Court:

Danckwerts J. found that plaintiffs had developed a goodwill or reputation in the market by associating its product with the region of origin...

...

That extension of the action of passing off, if it is an extension, does not reach the circumstances of this appeal. In *Bollinger*, the defendant did not pass off his goods as those of the plaintiffs, but directed attention unfairly to his goods by associating them with those of the plaintiffs, by the deliberate use of a name which had become associated in the market with the goods of the plaintiffs. The desired impression on the mind of the wine-buying public was that the product of the defendant was of the same standard of quality and acceptance as the wine of the plaintiffs.<sup>181</sup>

Estey J. also referred to *Bollinger v. Costa Brava Wine Co. No. (2)*<sup>182</sup> where, at trial, Danckwerts J. found that plaintiff had succeeded in its extended action of passing off:

The defendants’ wine therefore is not Champagne, and it is untruthful to describe it as such. Not only is it untruthful, but if it was so described deliberately with the object of acquiring sales through the reputation of the world-famous and true Champagne, it is dishonest to call the Spanish wine by that name.<sup>183</sup>

The fact that a description is false is not sufficient; the description whose use is carried out by a defendant must obviously have a reputation that causes an erroneous impression as to the true characteristics of the product by the purchasing public.

Finally, again in *Consumers Distributing Company Limited v. Seiko Time Canada Ltd.*,<sup>184</sup> Estey J. also referred to the case of *Erven Warnink B.V. v. J. Townend & Sons (Hull) Ltd.*,<sup>185</sup> where Lord Diplock spoke about damage to goodwill gained through the reputation of a type of product by reason of its “recognizable and distinctive qualities”:

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<sup>181</sup> *Consumers Distributing Company Limited v. Seiko Time Canada Ltd.*, [1984] 1 S.C.R. 583 at 605 and 606.

<sup>182</sup> *Bollinger v. Costa Brava Wine Co. No. (2)*, [1961] R.P.C. 116 (Ch. Div.).

<sup>183</sup> *Bollinger v. Costa Brava Wine Co. No. (2)*, [1961] R.P.C. 116 at 123 (Ch. Div.).

<sup>184</sup> *Consumers Distributing Company Limited v. Seiko Time Canada Ltd.*, [1984] 1 S.C.R. 583 at 609.

<sup>185</sup> *Erven Warnink B.V. v. J. Townend & Sons (Hull) Ltd.*, [1980] R.P.C. 31 (H.L.); see also *Institut national des appellations d’origine des vins & eaux-de-vie v. Andrés Wines Ltd.* (1990), 30 C.P.R. (3d) 279 (O.C.A.).

Of course it is necessary to be able to identify with reasonable precision the members of the class of traders of whose products a particular word or name has become so distinctive as to make their right to use it truthfully as descriptive of their product a valuable part of the goodwill of each of them; but it is the reputation that that type of product itself has gained in the market by reason of its recognisable and distinctive qualities that has generated the relevant goodwill. So if one can define with reasonable precision the type of product that has acquired the reputation, one can identify the members of the class entitled to share in the goodwill as being all those traders who have supplied and still supply to the English market a product which possesses those recognisable and distinctive qualities.

It cannot make any difference in principle whether the recognisable and distinctive qualities by which the reputation of the type of product has been gained are the result of its having been made in, or from, ingredients produced in a particular locality or are the result of its having been made from particular ingredients regardless of their provenance; though a geographical limitation may make it easier (a) to define the type of product; (b) to establish that it has qualities which are recognisable and distinguish it from every other type of product that competes with it in the market and which have gained for it in that market a reputation and goodwill; and (c) to establish that the plaintiff's own business will suffer more than minimal damage to its goodwill by the defendant's misrepresenting his product as being of that type.<sup>186</sup>

Thus, it can be stated that the important elements to establish in any claim under section 7(d) are the use of a description (under either one of the headings detailed therein) that is false and that this use is likely to mislead the public, which means that the description so used by the defendant obviously benefits from a positive reputation. On the issue of the public being misled, a plaintiff need only establish the likelihood of this fact, not that the public has actually been misled, although that evidence would certainly be relevant; a simple possibility, however, would not be sufficient.<sup>187</sup> Finally, the issue of damage, as discussed above, would also be considered.

Thus, if a well known geographical name advantageously used by many traders to correctly describe their product (in effect, a certification mark) is appropriated by a trader who has no connection with the geographical area at issue to sell a similar product which is then falsely described and likely to mislead the public, a passing off action under section 7(d) would be available.

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<sup>186</sup> *Erven Warnink B.V. v. J. Townend & Sons (Hull) Ltd.*, [1980] R.P.C. 31 (H.L.) at 98.

<sup>187</sup> By analogy, see *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, [2006] 1 S.C.R. 824 at para. 67.

### 6.3.2.5 Section 7(e)

In *MacDonald v. Vapor Canada Ltd.*,<sup>188</sup> Laskin, C.J. described section 7(e) as “a formulation of the tort of conversion, perhaps writ large and in a business context.”<sup>189</sup>

Section 7(e) was, however, found to be unconstitutional and cannot be relied upon as a basis for legal proceedings.

## 6.3.3 Québec Civil Code codification

### 6.3.3.1 Article 1457 of the Civil Code of Québec

Article 1457 of the *Civil Code of Québec* sets out general rules concerning conditions for liability in the Province of Quebec. Although article 1457 is obviously not limited to commerce and trade, it is referred to as a legal basis in opposing what would be known at common law as passing off. In French, this concept has no exact lexicological equivalent, a fact noted by Gonthier J. in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*<sup>190</sup> Equivalent notions in French for a “passing off action” were compiled by the Quebec Court of Appeal: «action en imitation trompeuse», «action en imitation frauduleuse» and «délit civil de tromperie» were noted by Rousseau-Houle J. who wrote for the majority in *Kisber & Co. Ltd. v. Ray Kisber & Associates Inc.*<sup>191</sup> while «commercialisation trompeuse» and «délit de substitution» were referred to by a unanimous bench in *Demco Manufacturing Inc. v. Foyer d’artisanat Raymond Inc.*<sup>192</sup>

Article 1457 of the *Civil Code of Québec* states:

Every person has a duty to abide by the rules of conduct which lie upon him, according to the circumstances, usage or law, so as not to cause injury to another.

Where he is endowed with reason and fails in this duty, he is responsible for any injury he causes to another person by such fault and is liable to reparation for the injury, whether it be bodily, moral or material in nature.

He is also liable, in certain cases, to reparation for injury caused to another by the act or fault of another person or by the act of things in his custody.

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<sup>188</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 149.

<sup>189</sup> *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134 at 149.

<sup>190</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at 134.

<sup>191</sup> *Kisber & Co. Ltd. v. Ray Kisber & Associates Inc.*, [1998] R.J.Q. 1342 (Q.C.A.) at 1351.

<sup>192</sup> *Demco Manufacturing Inc. v. Foyer d’artisanat Raymond Inc.*, 2006 QCCA 52 (Q.C.A.) at para. 8.

Although article 1457 outlines a general code of behaviour, it has been found by the Quebec Court of Appeal that this provision can support in the Province of Quebec what would be known at common law as a passing off action.

In *Kisber & Co. Ltd. v. Ray Kisber & Associates Inc.*,<sup>193</sup> the Quebec Court of Appeal mentioned that common law principles such as those outlined by Gonthier J. in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*<sup>194</sup> are useful to determine whether a defendant traded unfairly under the general principles of civil liability applicable in Quebec and outlined in the *Civil Code*.

In *9055-6473 Québec Inc. v. Montréal Auto Prix Inc.*,<sup>195</sup> the Quebec Court of Appeal confirmed that a plaintiff suing for passing off in the Province of Quebec may rely on section 7(b) of the *Trade-marks Act* as well as on article 1457 of the *Civil Code of Québec* which also applies in matters of passing off (or as noted by the Court «en matière de commercialisation trompeuse»<sup>196</sup>). Whether a plaintiff pleads section 7(b) of the *Trade-marks Act* or article 1457 of the *Civil Code of Québec*, the Court indicated that the same requirements apply in either case, *i.e.* those outlined by Gonthier J. in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*<sup>197</sup> namely, the existence of goodwill, the deceptive representation which has misled the public and actual or potential damage to the plaintiff.<sup>198</sup> Proof of malice or fraudulent intent is not required.<sup>199</sup>

This correlation between the *Civil Code* and principles of common law regarding passing off was highlighted as early as 1992 by Gonthier J. in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*<sup>200</sup> when he quoted authors Nadeau and Nadeau who referred to article 1053 of the *Civil Code of Lower Canada*, in force at the time, *i.e.* the predecessor of current article 1457 of the *Civil Code of Québec* which came into force on January 1, 1994.<sup>201</sup>

Outside the common law countries passing-off has no exact lexicological equivalent and in general is not a delict as such. In France, for example, it is one aspect of unfair competition to which civil liability sanctions apply. The passing-off rules in Quebec are derived largely from the common law. Remedies may be sought in federal as well as provincial law :

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<sup>193</sup> *Kisber & Co. Ltd. v. Ray Kisber & Associates Inc.*, [1998] R.J.Q. 1342 (Q.C.A.).

<sup>194</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120.

<sup>195</sup> *9055-6473 Québec Inc. v. Montréal Auto Prix Inc.*, 2006 QCCA 627 (Q.C.A.).

<sup>196</sup> *9055-6473 Québec Inc. v. Montréal Auto Prix Inc.*, 2006 QCCA 627 at para. 21 (Q.C.A.).

<sup>197</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120.

<sup>198</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at 132.

<sup>199</sup> *9055-6473 Québec Inc. v. Montréal Auto Prix Inc.*, 2006 QCCA 627 at para. 24 (Q.C.A.).

<sup>200</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120.

<sup>201</sup> *Civil Code of Québec*, S.Q. 1991, c. 64; see *Décret 712-93* of May 19, 1993, published in the *Gazette officielle du Québec*, Part II, June 2, 1993, p. 3589.

[TRANSLATION] Unlawful or unfair competition causing an unjust injury to another person falls within civil liability under art. 1053 C.C. Actions for damages for unfair competition are heard under not only the federal legislation but also the general principles of delictual civil liability.  
(Nadeau and Nadeau, *Traité pratique de la responsabilité civile délictuelle* (1971), at p. 221).<sup>202</sup>

Finally, in *Demco Manufacturing Inc. v. Foyer d'artisanat Raymond Inc.*,<sup>203</sup> the Quebec Court of Appeal indicated that when article 1457 is to be applied, there are no obstacles, when considering a claim for passing off in the Province of Quebec, to subsume under the general rule provided by this provision the elements identified by Gonthier J. in *Ciba-Geigy*.<sup>204</sup>

## 6.4 EXTRA-TERRITORIAL USES OF TRADE-NAMES/TRADE-MARKS GIVES RISE TO PROTECTABLE RIGHTS

### 6.4.1 Foreign uses may give rise to protectable rights

Trade-marks or trade-names which have been used exclusively beyond Canada's borders can nonetheless be protected in Canada under passing off or unfair competition principles.

In order to warrant protection, the extra-territorial trade-mark or trade-name must possess a measure of reputation or goodwill (i.e. that which attracts custom) in Canada.

While a trade-mark used solely extra-territorially would have to be "well known" in order to qualify for statutory protection under section 5 of the *Trade-marks Act*<sup>205</sup>, the requisite level of goodwill which will be protected by the Court need not be substantial.

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<sup>202</sup> *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at 133.

<sup>203</sup> *Demco Manufacturing Inc. v. Foyer d'artisanat Raymond Inc.*, 2006 QCCA 52 (Q.C.A.).

<sup>204</sup> *Demco Manufacturing Inc. v. Foyer d'artisanat Raymond Inc.*, 2006 QCCA 52 (Q.C.A.) at para. 12.

<sup>205</sup> Section 5 of the *Trade-marks Act* reads:

A trade-mark is deemed to be made known in Canada by a person only if it is used by that person in a country of the Union, other than Canada, in association with wares or services, and

- (a) the wares are distributed in association with it in Canada, or
- (b) the wares or services are advertised in association with it in

- (i) any printed publication circulated in Canada in the ordinary course of commerce among potential dealers in or users of the wares

or services,

or

- (ii) radio broadcasts ordinarily received in Canada by potential dealers in

or users of the wares or services,

and it has become well known in Canada by reason of the distribution or advertising.

Two seminal cases in Canada, one in Ontario<sup>206</sup> and the other in the Federal Court,<sup>207</sup> illustrate the Courts' willingness to protect the transborder flow of goodwill.

#### 6.4.1.1 *The Orkin decision*

In *Orkin*, the defendant adopted the trade-name ORKIN Extermination Company in association with its pest control business. Initially, apart from listing the name in phone directories and governmental records (e.g. *Corporate Information Act of Ontario*), the defendant made no public use of the name. The defendant later used the plaintiff's ORKIN red diamond logo on its invoices. That trade-mark had been used in association with the identical services by the plaintiff, exclusively in the United States, for over 80 years. The plaintiff was one of the largest pest control companies in the world. It had advertised its services in association with the ORKIN trade-mark in print media, television and billboards in the U.S.. The trade-mark had thereby come to the attention of Canadians who travelled there.

While the plaintiff had not offered its services in Canada and carried on no other business in Canada, it intended to expand into Canada in the future. The plaintiff had many customers whose principal residence was in Canada but who had used the plaintiff's services while vacationing at winter homes in the U.S.

The principal issue for the Court was whether there could be protectable goodwill in Ontario when the plaintiff did not carry on any business there. The Court remarked:

To me, it seems that a company's good reputation in an area where it does not carry on business is like a capital asset which has not yet been put to work. I am unable to see, and none has been pointed out to me, any social or economic reason why the law should not protect such an asset. It seems that it is preferable that a person not have to rush into business, perhaps prematurely, in order not to lose his goodwill in an area, and whatever weight the law attaches to saving the public from being deceived is on the side of protecting that kind of an asset<sup>208</sup>.

The Trial Judge concluded that it was not necessary that a person be carrying on business in Canada for him to have a proprietary interest which the law will protect.

The Trial Judge was, however, heavily influenced by the defendant's deliberate

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<sup>206</sup> *Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd. et al.* (1984), 80 C.P.R. (2d) 153 (O.H.C.); affirmed (1985), 50 O.R. (2d) 726 (O.C.A.)

<sup>207</sup> *Enterprise Rent-A-Car Co. v. Singer*, [1996] 2 F.C. 694; affirmed (1998), 79 C.P.R. (3d) 45 (F.C.A.)

<sup>208</sup> *Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd. et al.* (1984), 80 C.P.R. (2d) 153 at para. 24 (O.H.C.)

intention to deceive and create confusion by adopting the plaintiff's trade-mark; and the defendant's deliberate intention to impede the plaintiff from benefiting from its goodwill when it expanded its services to Canada.<sup>209</sup>

The Trial Judge held that the necessary elements which must be present in order for a foreign plaintiff to have enforceable goodwill in Ontario are: 1) goodwill and customers in Canada; 2) a future intention to expand to Canada; 3) a deliberate attempt by the defendant to deceive customers and create confusion to impede the plaintiff from benefiting from its goodwill when the plaintiff came to Canada; and 4) no significant amount of goodwill established by the defendant by its use of the name/mark.

The Court of Appeal, in affirming the Trial Judge's decision, stated:

However, a plaintiff does not have to be in direct competition with the defendant to suffer injury from the use of its trade-name by the defendant. If the plaintiff's trade-name has a reputation in the defendant's jurisdiction, such that the public associates it with services provided by the plaintiff, then the defendant's use of it means that the plaintiff has lost control over the impact of its trade name in the defendant's jurisdiction. The practical consequence of this is that the plaintiff is then vulnerable to losing the Ontario customers it now has as well as prospective Ontario customers, with respect to services provided in the United States. Also, it can result in Orkin being prevented from using its trade-name in Ontario when it expands its business into Ontario.<sup>210</sup>

The court was untroubled by the restraint imposed upon the defendant:

Bearing in mind that [the defendant] has a virtually infinite range of names and symbols from which to choose, it is difficult to see the enjoining of it from using the name and logo of a well-established company in the same business as an unreasonable restraint on its freedom to carry on business as it sees fit. The public are entitled to be protected from such deliberate deception and Orkin, which has laboured long and hard and made substantial expenditures to create the reputation which it now has, which reputation has spread to Ontario, is entitled to the protection of its name from misappropriation. The spectra of Orkin having a monopoly in Ontario in its name and distinctive logo, even though it is not now carrying on business here, is considerably less troubling than the deceptive use of its name and symbol by

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<sup>209</sup> *Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd. et al.* (1984), 80 C.P.R. (2d) 153 at para. 28 (O.H.C.)

<sup>210</sup> *Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd. et al.* (1985), 50 O.R. (2d) 726 at p.738 (O.C.A.)



another. ... the interests of a dishonest defendant are entitled to less weight than those of a defendant who has acted in good faith.<sup>211</sup>

While bad faith on the part of the defendant alone did not confer a cause of action on the foreign plaintiff, it was very material factor to take into account in weighing the parties' competing interests.

The third requisite element for making out a passing off cause of action, resulting damage, was met by the plaintiff's loss of control over the impact of its trade-name in Ontario and the creation of an impediment to its use of its trade-mark and trade-name upon entering the Ontario market.

#### **6.4.1.2 Minimal reputation in Canada sufficient; no requirement for "making known" – the Enterprise decision**

The facts in *Enterprise*<sup>212</sup> were similar to those in *Orkin*. At issue in *Enterprise* was the entitlement to use the trade-mark ENTERPRISE in Canada in association with rental car services. However, given that the plaintiff had to establish rights in a trade-mark in order to have a cause of action for breach of section 7(b) of the *Trade-marks Act*,<sup>213</sup> the defendant attempted to make a legal distinction grounded in section 5 of the *Trade-marks Act*. Since that section requires a foreign trade-mark owner to have "made known" its trade-mark before it can acquire the exclusive right to register that trade-mark in Canada, the defendant argued that the same "making known" standard should be applied by the Court in determining whether the plaintiff had enforceable rights to the trade-mark in Canada before the defendant's adoption of the identical mark. Since the evidence clearly showed that the plaintiff had developed only a "minimal" reputation attached to its trade-mark prior to the defendant's adoption of the trade-mark, the defendant argued that the plaintiff had no enforceable rights which were paramount to the defendant's rights to the trade-mark which accrued to the defendant through its own significant use of the trade-mark in Canada prior to the commencement of the litigation.

The Court in *Enterprise* held that the level of reputation attached to a trade-mark which was required to succeed in section 7(b) action was low. The higher required threshold of "making known", which governed the registrability of foreign (only) used trade-marks, did not apply.<sup>214</sup>

Protectable goodwill can therefore exist in Canada as a result of the use of a trade-

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<sup>211</sup> *Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd. et al.* (1985), 50 O.R. (2d) 726 at p. 742 (O.C.A.)

<sup>212</sup> *Enterprise Rent-A-Car co. v. Singer*, [1996] 2 F.C. 694; affirmed (1998), 79 C.P.R. (3d) 45 (F.C.A.)

<sup>213</sup> *Asbjorn Hogard A/S v. Gibbs/Nortac Industries Ltd.* (1987), 14 C.P.R. (3d) 314 (F.C.A.)

<sup>214</sup> *Enterprise Rent-A-Car v. Singer et al.*, [1996] 2 F.C. 694 at paras. 61 – 69 (F.C.)

mark in another country where that trade-mark comes to the attention of Canadians, either through use or through advertising which reaches Canadians. A "minimal" or "limited" level of goodwill is sufficient.<sup>215</sup>

The defendant also argued that the *Orkin* decision required the Court to find deliberate or bad faith adoption of the identical or confusing mark.

The Court confirmed that it is not necessary for a plaintiff to prove bad faith on the part of the defendant to satisfy the second criteria for passing off. Nonetheless, the Court of Appeal's assessment of the evidence was that the defendant "obviously tried to conceal the real reasons which had prompted him to adopt the mark 'ENTERPRISE'". The Court quoted Lord Lindley, who stated in 1889:

... One must exercise one's common sense, and, if you are driven to the conclusion that what is intended to be done is to deceive if possible, I do not think it is stretching the imagination very much to credit the man with occasional success or possible success. Why should we be astute to say that he cannot succeed in doing that which he is straining every nerve to do?<sup>216</sup>.

Therefore, the establishment of a minimal or limited reputation associated with a trade-mark, which is created in the minds of Canadians through use and advertising of the trade-mark in a foreign country exclusively is sufficient to found an action for breach of section 7(b) of the *Act*. The second criteria, misrepresentation, is met by establishing a likelihood of confusion. The establishment of bad faith or intentional misconduct is not necessary but will be a very relevant factor. The third criteria – damage – is presumptively met by the plaintiff's loss of control over its reputation and goodwill.

#### **6.4.1.3 Bad faith not a prerequisite**

There has not been a reported decision in which passing off was established in a situation where the defendant's adoption and use of the conflicting trade-mark was free of any bad faith or knowing adoption. However, the principles established by the *Orkin* and *Enterprise* decisions apply equally in the "innocent adoption" fact situation, as confirmed by the Supreme Court of Canada:

The appellant contended in effect that the respondent was a deliberate free rider who had no reasonable explanation for adopting its trade-mark. The obvious conclusion, argues the appellant, is that the respondent seeks to register a mark which is designed to pirate whatever goodwill it can from the mark of the appellant. ...It seems to

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<sup>215</sup> *Enterprise Rent-A Car v. Singer et al.*, [1996] 2 F.C. 694 at paras. 56 – 57 (F.C.)

<sup>216</sup> *Slazenger & Sons v. Feltham & Co. (2)* (1889), 6 R.P.C. 531 at 538 (C.A.)

me there is some justice to this complaint, but the relevant perspective of section 6(2) of the *Trade-marks Act* is not that of the respondent but rather the perception of the relevant mythical consumer. *Mens rea* is of little relevance to the issue of confusion: *Lexus*. It has been established since *Edelsten v. Edelsten* (1863), 26 E.R. 72 at pp. 78-9, that a trade-mark is a proprietary right. If, as the appellant says, the respondent's activities have trespassed on the marketing territory fenced off by its BARBIE trade-marks, it would be no defence for the respondent that it did not intend to trespass. Equally, however, if the respondent's activities did not in fact trespass, evidence that it may have wished to do so does not constitute confusion: *Fox* 1972), at p. 403. Historically, courts have been slow to conclude that a demonstrated piratical intent has failed to achieve its purpose ....<sup>217</sup>

## 6.5 LIMITS ON PASSING OFF REMEDY

### 6.5.1 Public interest in free competition

Not all harmful competition is unfair or unlawful. Most important, the countervailing public interest in free competition often demands priority; most prominently in the claim to use one's own surname honestly in business even at the cost of some confusion with a competitor, and in the use open to all of generic and descriptive, as distinct from fanciful terms, unless they have acquired a so-called secondary meaning by exclusive association with the plaintiff.<sup>218</sup>

The common law principles relating to commerce and trade generally proceed on the basis of a recognition of perceived benefits to the community of free and fair competition ... any expansion of the common law principles to curtail the freedom to operate in the open market should be cautiously approached. This must be the path of prudence in this age of the active legislative branch where the community's trade policies are under almost continuous review.<sup>219</sup>

### 6.5.2 No trade-mark protection for purely functional objects

Trade-mark law is not intended to prevent the competitive use of utilitarian features of product. An alleged mark which goes beyond distinguishing the wares of its owner to the functional structure of the wares themselves transgresses the legitimate bounds of a trade-mark.<sup>220</sup>

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<sup>217</sup> *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] S.C.J. No. 23 at para. 90

<sup>218</sup> Fleming. *Law of Torts* (6<sup>th</sup> ed) at p. 676

<sup>219</sup> *Consumers Distributing Co. v. Seiko Time Canada Ltd.*, [1984] 1 S.C.R. 583

<sup>220</sup> *Remington Rand Corp. v. Philips Electronics N.V.* (1995), 64 C.P.R. (3d) 467 at 478 (F.C.A.);

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The passing off remedy will not avail a plaintiff who, after the expiry of its patent, attempts to extend the expired patent monopoly over the shape of the invention through trade-mark law when the shape is so closely related to the invention as to be for all practical purposes an element essential to making full use of the invention.<sup>221</sup>

The doctrine of functionality applies to both registered and unregistered trade-marks.<sup>222</sup> A functional use or characteristic of a product cannot be a trade-mark. For example, the geometric pattern of the LEGO studs on LEGO toy bricks are not trade-marks because, if they were cut off LEGO bricks, the bricks would not function – they would not fasten together with another brick. The doctrine of functionality therefore denies the existence of trade-mark rights altogether. Without a subsisting trade-mark, section 7(b) is not an available cause of action. Purely functional "trade-marks" cannot form the basis of an action claiming passing off under section 7(b) of the *Trade-marks Act*.<sup>223</sup>

The Supreme Court in *Kirkbi* summarized its decision as follows:

Under the modern law of passing off, a passing-off action by the appellant was bound to fail. It would not have been able to meet the first condition of the action, namely that there be goodwill in respect of the distinctiveness of the product. The alleged distinctiveness of the product consisted precisely of the process and techniques which were now common to the trade. Again, *Kirkbi* could not overcome another form of the functionality problem. Granting such a claim in these circumstances would amount to recreating a monopoly contrary to basic policies of the laws and legal principles which inform the various forms of intellectual property in our legal system. The appellant is no longer entitled to protection against competition in respect of its product. It must now face the rigors of a free market and its process of creative destruction.<sup>224</sup>

Note, however, that there may be enforceable trade-mark rights in objects which possess some functional or utilitarian features so long as they do not create a monopoly in the function.<sup>225</sup>

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*Pizza Pizza Ltd. v. Canada (Registrar of Trade Marks)*, [1989] 3 F.C. 379 at 381 (F.C.A.); *Thomas & Betts, Ltd. v. Panduit Corp.*, [2000] 3 F.C. 3 at para. 25 (F.C.A.)

<sup>221</sup> *Thomas & Betts, Ltd. v. Panduit Corp. et al.* (2000), 4 CPR (4<sup>th</sup>) 498 at para. 23 – 24 (F.C.A.)

<sup>222</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] S.C.J. No. 66

<sup>223</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] S.C.J. No. 66

<sup>224</sup> *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] S.C.J. No. 66 at para. 69

<sup>225</sup> See *Crocs Canada Inc. et al. v. Holey Soles Holdings Ltd.* 2008 FC 188 where the Federal Court dismissed the defendant's summary judgment motion on the basis that the asserted distinguishing guise (footwear) did not appear to be "purely" or "solely" functional.

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The shaping of the body of a three wheel vehicle which was not wholly or primarily functional qualified as a distinguishing guise<sup>226</sup>. In the absence of expert evidence, the Court was unwilling to find that the development of the three wheeled vehicle industry would be unduly restricted<sup>227</sup>. However, given that the plaintiff's vehicle had enjoyed only modest sales, the shape had not developed the necessary goodwill to support a passing off claim. In the absence of goodwill, there could be no confusion<sup>228</sup>

### 6.5.3 Registered trade-marks may "trump" unregistered trade-mark rights

Section 19 of the *Act*<sup>229</sup> gives the registrant the *prima facie* right to the exclusive use of the registered trade-mark throughout Canada.

Therefore, unless a trade-mark registration is declared invalid under section 18, the statutory right is paramount to any unregistered trade-mark right owned by another party. The registration of a trade-mark, unless shown to be invalid, is a complete defence to an action grounded in section 7(b) or common law passing off.<sup>230</sup>

In addition, while the matter is not free from doubt, two appellate decisions<sup>231</sup> strongly suggest that a registrant who held a valid registration until found invalid and expunged ought not be liable to pay compensation for use of its registered mark attributable to the period during which its registration was in effect.

### 6.5.4 Common sense to be applied

The doctrine of passing off is not designed to prevent carelessness, ignorance or misinformation on the part of the consumer. The cause of action does not give the plaintiff the right to impose or engage in unreasonable restraints of trade.<sup>232</sup> The Courts must be vigilant in providing protection from lost opportunity from unfair and

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<sup>226</sup> *T-Rex Vehicles Inc. v. 6155235 Canada Inc. et al.* (2008), 67 C.P.R. (4<sup>th</sup>) 444 (QCA)

<sup>227</sup> *T-Rex Vehicles Inc. v. 6155235 Canada Inc. et al.* (2008), 67 C.P.R. (4<sup>th</sup>) 444 (QCA)

<sup>228</sup> *T-Rex Vehicles Inc. v. 6155235 Canada Inc. et al.* (2008), 67 C.P.R. (4<sup>th</sup>) 444 (QCA)

<sup>229</sup> Subject to sections 21, 32 and 67, the registration of a trade-mark in respect of any wares or services, unless shown to be invalid, gives to the owner of the trade-mark the exclusive right to the use throughout Canada of the trade-mark in respect of those wares or services. R.S., 1985, c. T-13, s. 19; 1993, c. 15, s. 60

<sup>230</sup> *Molson Canada v. Oland Breweries Ltd.* (2002), 19 C.P.R. (4<sup>th</sup>) 201 at 202, para. 2 (Ont. C.A.); *Jonathan, Boutique Pour Hommes Inc. v. Jay-Gur International Inc.* (2003), 23 C.P.R. (4<sup>th</sup>) 492 at 493, para. 4 (F.C.)

<sup>231</sup> *Remo Imports Ltd. v. Jaguar Cars Ltd.*, [2007] F.C.J. No. 999 at paras. 106-114 (F.C.A.); *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltee*, [2006] 1 S.C.R. 824 at Para. 16

<sup>232</sup> *Canadian Business School Inc. v. Sunrise Academy Inc.* (2002), 23 C.P.R. (4<sup>th</sup>) 220 at 230, para. 26 (F.C.)

overly restrictive restraint of trade. The balance is often one of common sense and judgment on the finding of facts as to the existence of the elements of goodwill, misrepresentation and confusion.<sup>233</sup>



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<sup>233</sup> *Walt Disney Productions v. Fantasyland Hotel Inc.* (1994), 56 C.P.R. (3d) 129 at para. 55 (Alta. Q.B.)

