

PARSING OFF THE ELEMENTS OF PASSING OFF IN CANADA

By: Sepideh Nassabi

Minden Gross LLP, a member of MERITAS Law Firms Worldwide.

Emir Crowne*,
Associate Professor, University of Windsor, Faculty of Law
Barrister & Solicitor, Law Society of Upper Canada

Sepideh Nassabi,
Associate, Minden Gross LLP

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INTRODUCTION

The common law tort of passing off is statutorily codified under sub-section 7 (b) of Canada's *Trade-marks Act*. This paper addresses the extent of that codification. Some courts in Canada have held that the common law approach to passing off can be transposed to the statutory cause of action, whereas other courts plainly suggest that the two causes of action, though related, necessarily differ.

Section 7 provides that:

No person shall

- (a) make a false or misleading statement tending to discredit the 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."^[1]

The Supreme Court of Canada in *Kirkbi AG v. Ritvik Holdings Inc.*^[2], in addressing the constitutionality of sub-section 7 (b) *inter alia*, held that "[this sub-section] creates a civil cause of action that essentially codifies the common law tort of passing off".^[3] This paper addresses the extent of that codification. As we will discuss, some courts in Canada have held that the common law approach to passing off can be transposed to the statutory cause of action whereas other courts plainly suggest that the two causes of action, although related, necessarily differ.

STATUTORY VERSUS COMMON LAW PASSING OFF

Before dealing with the jurisprudence, the casual observer might ask why Canada would have two regimes for addressing passing off. In other words, what is the purpose of the statutory version of the tort? Does it modify the common law? The procedural answer is simply one of jurisdiction.

The *Trade-marks Act*^[4] gives the Federal Court jurisdiction to determine any action arising from the *Trade-marks Act*^[5], and exclusive jurisdiction to amend or strike out registered trade-marks. Section 55 and sub-section 57 (1) respectively provide that:

“The Federal Court has jurisdiction to entertain any action or proceeding for the enforcement of any of the provisions of this Act or of any right or remedy conferred or defined thereby...

The Federal Court has exclusive original jurisdiction, on the application of the Registrar or of any person interested, to order that any entry in the register be struck out or amended on the ground that at the date of the application the entry as it appears on the register does not accurately express or define the existing rights of the person appearing to be the registered owner of the mark.”^[6]

In turn, the Federal Court is a statutory court^[7] with no inherent jurisdiction. The court does not have the constitutional jurisdiction to entertain any common law actions unless intertwined or incidental to matters with which it already has jurisdiction. Therefore, the common law action of passing off needed a statutory footing if the Federal Courts were to assume carriage of a proceeding that pleaded the cause of action. In *ITAL-Press Ltd. v. Sicoli*^[8], Justice Gibson of the Federal Court expressed a similar view:

“It was not argued before me, certainly not with any conviction, that this Court has any jurisdiction with respect to the common law action of passing off. I am satisfied that it does not. To the extent that it has jurisdiction in respect of the equivalent of the common law action of passing off, that jurisdiction must be found in paragraph 7(b) of the Trade-marks Act.

On the basis of the foregoing brief analysis of the jurisdiction of this Court and of the pleadings and evidence before me, I conclude that the plaintiff's claim with respect to passing off cannot succeed either on the ground that this Court lacks jurisdiction or, on the alternative ground, that any basis of jurisdiction in this Court has not been pleaded and has not been established by the evidence before the Court.”^[9]

The problem, however, is that several decisions appear to equate the common law tort of passing off with its statutory form:

- “Section 7(b) is a statutory statement of the common-law action of passing off”^[10];
- “In view of the judgment of Laskin, C.J.C. in *MacDonald et al. v. Vapour Canada Ltd.*... there is no validity to the distinction the plaintiff wishes to draw as between a s. 7(b) cause of action and a common law passing off cause of action, the Chief Justice, with the concurrence of 4 other members of the court...”^[11];
- “Subsection 7(b) is a statutory statement of the common law action of passing-off, which consisted of a misrepresentation to the effect that one's goods or services are someone else's, or sponsored by or associated with that other person. It is effectively a "piggybacking" by misrepresentation.”^[12]; and
- “Both counsel acknowledge for the purposes of this litigation there is no difference between a common law passing-off action or a claim under s. 7(b). Indeed their

concurrence in this regard is judicially confirmed by MacGuigan J. in the Federal Court of Appeal in *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*[13].

We suggest, however, that the common law and statutory forms of the tort cannot entirely be equated. Indeed, sub-section 7 (b) cannot have entirely codified the common law tort, if not for the simple reason that the very next sub-section of the *Trade-marks Act*[14] (sub-section 7 (c)) also states that “[no person shall] pass off other wares or services as and for those ordered or requested”[15]. This was recognized by the Supreme Court in *Kirkbi* where Justice LeBel indicated that:

“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*”. The legal action initiated by the appellant often called upon the elements of the tort of passing off, although it was based on s. 7(b) of the Act.”[16]

However, equating the common law tort with its statutory cousin, or not, has led to the development of two distinctly different strains of jurisprudence in assessing claims under sub-section 7 (b). In *Nada Fashion Designs Inc. v. Designs by Nada*[17], Justice Kelen drew attention to this divergence, indicating that:

“Federal Court jurisprudence suggests that in determining whether a plaintiff has established a case under subsection 7(b), the Court may apply either the common law test, as enunciated by the Supreme Court of Canada in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 and applied by Mr. Justice Rouleau in *Prince Edward Island Mutual Insurance v. Insurance Co. of Prince Edward Island* (1999), 159 F.T.R. 112, or a statutory test developed by Mr. Justice O’Keefe in *Top Notch Construction Ltd. v. Top-Notch Oilfield Services Ltd.*, 2001 FCT 642, 207 F.T.R. 260.”[18]

Indeed, in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*[19] the Supreme Court of Canada unequivocally adopted the tripartite test from the House of Lords in *Reckitt & Colman Products Ltd. v. Borden Inc.*[20] that the elements of a passing-off action are:

1. the existence of goodwill;
2. deception of the public due to a misrepresentation; and
3. actual or potential damage to the plaintiff.[21]

In contrast, Justice O’Keefe in *Top Notch Construction Ltd. v. Top-Notch Oilfield Services Ltd.*[22] appears to have adopted a test that essentially parsed the wording of sub-section 7 (b) into three elements:

1. The Conduct Test: “direct public attention to [the defendant’s] wares”;
2. The Confusion Test: “in such a way as to cause or be likely to cause confusion in Canada”; and
3. The Timing Test: “at the time [the defendant] commenced so to direct attention to them”. [23]

CONCLUSION

Where does this divergence leave us? Firstly, if it is reasonable to assume that sub-section 7 (b) does not entirely codify the common law tort of passing off, then the sub-section by itself is necessarily narrower than the common law. As we noted before, the best support for this can be found in *Kirkbi* where Justice LeBel indicated that:

“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*”. The legal action initiated by the appellant often called upon the elements of the tort of passing off, although it was based on s. 7(b) of the Act.”^[24]

Given this underlying reliance upon the common law tort, we suggest that the tripartite common law test for passing off must be the test applied to sub-section 7 (b) passing off actions. Indeed, the common law requirement of “deception of the public due to a misrepresentation” handily covers the statutory elements set out in sub-section 7 (b). Furthermore, if sub-section 7 (b) represents a partial codification of the common law tort of passing off, it would be inconsistent and unpredictable to interpret the sub-section in a markedly different manner than the common law approach (which seems fairly settled in light of *Ciba-Geigy* and *Kirki*).

We are also guided by the fact that recent jurisprudence of the Federal Court of Appeal appears to endorse this approach. In *BMW Canada Inc. v. Nissan Canada Inc.*, Chief Justice Richard stated that:

“In any event, one of the essential elements of the claim of passing off under paragraph 7(b) was not established. The three necessary components of a passing-off action are: (a) the existence of goodwill; (b) deception of the public due to a misrepresentation; and (c) actual or potential damage to the plaintiff: *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at paragraph 33.”^[25]

And again, in *Pharmacommunications Holdings Inc. v. Avencia International Inc.*^[26], the Federal Court of Appeal also expressly held that “Paragraph 7(b) of the Act is a codification of the common law of passing-off, and there are no longer any “significant differences” between the statute and the common law”^[27].

Therefore, in the interests of providing litigants with a predictable body of jurisprudence that is mindful of the origins and purposes of sub-section 7 (b), together with the settled common law elements of the ‘larger’ tort of passing off, we submit that this approach should be adopted by the Federal Courts in dealing with statutory claims of passing off going-forward.

[1] *Trade-marks Act*, R.S.C., 1985, c. T-13.

[2] 2005 SCC 65, [2005] 3 S.C.R. 302 [*Kirkbi*].

[3] *Ibid.* at para 23.

[4] *Trade-marks Act*, R.S.C., 1985, c. T-13.

[5] *Trade-marks Act*, R.S.C., 1985, c. T-13.

[6] *Trade-marks Act*, R.S.C., 1985, c. T-13.

[7] *Federal Courts Act*, R.S.C., 1985, c. F-7.

[8] (1999), 170 F.T.R. 66.

[9] *Ibid.* at paras. 156 and 157 (expressly approved by Justice O’Keefe in *Top Notch Construction Ltd. v. Top-Notch Oilfield Services Ltd.*, 2001 FCT 642, 207 F.T.R. 260 at para. 31). See also, Justice Blais’ remarks in

Registered Public Accountants Assn. (Alberta) v. Society of Professional Accountants of Canada, 2000 CarswellNat 1495 that:

“[The Federal] Court does not have jurisdiction under the Common Law action of passing off. Such actions are the exclusive jurisdiction of the provincial courts under property and civil rights. However it does have jurisdiction under s.7(b) of the *Trade-Marks Act...*” (*ibid.* at para. 7).

[10] *MacDonald v. Vapor Canada Ltd.*, [1977] 2 S.C.R. 134.

[11] *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.*, 45 B.C.L.R. (2d) 253, 68 D.L.R. (4th) 481, 30 C.P.R. (3d) 174.

[12] *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*, [1987] 3 F.C. 544 (FCA).

[13] *Molson Canada v. Oland Breweries Ltd./Brasseries Oland Ltée*, (2000), 11 C.P.R. (4th) 199.

[14] *Trade-marks Act* (R.S.C., 1985, c. T-13).

[15] *Trade-marks Act* (R.S.C., 1985, c. T-13).

[16] *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65, [2005] 3 S.C.R. 302 at para. 62.

[17] 2007 FC 1077, 62 C.P.R. (4th) 269.

[18] *Ibid.* at para. 21 (ultimately, Justice Kelen opted to apply the common law test from *Ciba-Geigy*).

[19] [1992] 3 S.C.R. 120.

[20] [1990] 1 All E.R. 873.

[21] *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at para. 33. See also *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65, [2005] 3 S.C.R. 302 at paras. 64 – 66:

“As can be seen in the decisions of the courts below, aspects of the doctrine appear to give rise to controversy. Disagreements arise in the case law about the components of the tort. Are there three, four or five? How should they be classified? A short review of the jurisprudence focusing on the decisions of our Court will hopefully shed a little more light on the contents of the doctrine, in respect of issues relevant to the present appeal.

In recent times, the House of Lords applied two different, but related, classifications in order to determine the conditions of liability under the passing-off doctrine. In *Erven Warnink B.V. v. J. Townend & Sons (Hull) Ltd.*, [1979] A.C. 731, at p. 742, Lord Diplock identified five elements which were necessary to create a valid cause of action: (1) a misrepresentation, (2) made by a trader in the course of trade, (3) to his customers or to ultimate consumers of his product (4) which may, in a reasonably foreseeable way, injure the business or goodwill of a competitor and (5) which causes actual damage. A few years later, Lord Oliver reduced the classification to three components: goodwill, deception and damage (*Reckitt & Colman Products Ltd. v. Borden Inc.*, [1990] 1 All E.R. 873, at p. 880; see also Bently and Sherman, at pp. 707-9).

Our Court appears to have adopted the tripartite classification in *Ciba-Geigy...*”

[22] 2001 FCT 642, 207 F.T.R. 260.

[23] *Ibid.* at para. 36 (citing *Abbot Ltd. v. Thurston Hayes Developments Ltd.* (1997), 77 C.P.R. (3d) 10). The Court in *Positive Attitude Safety System Inc. v. Alban Sands Energy Inc.*, 2004 FC 1022, 33 C.P.R. (4th) 460 also applied the so-called statutory test. See also the earlier Federal Court of Appeal decision in *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.* [1987] F.C.J. No. 245:

“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.”

[24] *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65, [2005] 3 S.C.R. 302 at para. 62. To a lesser extent, some support can also be found in the Federal Court of Appeal decision in *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*, [1987] F.C.J. No. 245 where Justice MacGuigan could not:

“endorse the separation of paragraph 7(b) from the definition of “trade-mark” and “distinguishing guise” in section 2 of the *Act*. Paragraph 7(b) is the equivalent statutory expression of the common law tort of passing off, with one exception: in order to use paragraph 7(b) a person must prove that they have a valid and enforceable trade-mark, whether registered or unregistered. The thing that distinguishes the common law action of passing-off from a passing-off action under paragraph 7(b) of the *Act* is that in the common law action a litigant need not rely on a trade-mark to make use of the action. To bring a passing-off action under the *Act*, one must have a valid trade-mark within the meaning of the *Act*. The definitions in section 2 of the *Act* are integral to any trade-mark passing-off action under paragraph 7(b), such as the Appellants’ action.” (*ibid.*)

Although, with all due respect, we suggest that Justice MacGuigan may have overstated how “equivalent” the Act’s statutory expression precisely is.

[25] 2007 FCA 255.

[26] 2009 FCA 144.

[27] *Ibid.* at para. 8.