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Evidence of actual or potential damage is required, Court of Appeal confirms Passing off
Canada - Fasken Martineau DuMoulin LLP
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In *PharmaCommunications Holdings Inc v Avencia International Inc* ([2009] FCJ 568, May 5 2009), the Federal Court of Appeal has upheld a decision of the trial court in which the latter had dismissed PharmaCommunications Holdings Inc's application for a permanent injunction against Avencia International Inc.

The evidence established that both parties provided services in the pharmaceutical industry. PharmaCommunications claimed common law rights to the unregistered trademark PHARMACOMMUNICATIONS. Avencia carried on business using the registered business name Pharmacomm.

PharmaCommunications alleged that Avencia had engaged in passing off at common law by directing public attention to its services in such a way as to cause confusion with the PHARMACOMMUNICATIONS mark. The trial court dismissed the application on the grounds that PharmaCommunications had failed to meet the test for passing off at common law and, in particular, had failed to prove that it would suffer actual or potential damage.

To establish passing off at common law in Canada, an applicant must show:

- the existence of goodwill in the trademark;
- the likelihood of deception to the public through misrepresentation; and
- actual or potential damage to the rightful owner of the mark.

The trial court determined that PharmaCommunications had failed to adduce evidence of actual or potential damage and, therefore, had failed to make out a claim (for further details please see "Passing off claim dismissed for lack of evidence of damages").

On appeal, PharmaCommunications argued that:

- the trial court had erred in applying the common law test to a statutory claim for passing off under the Trademarks Act;
- it is not necessary to provide evidence of actual or potential evidence of damages - rather, the courts are entitled to presume that damages are likely; and
- the trial judge did not consider whether the trademark was valid and had established goodwill, or whether there was deception to the public.

The Court of Appeal found that PharmaCommunications had failed to demonstrate why the tripartite test for common law passing off should not be relied on for a statutory passing off claim. The court found that the codification of the common law of passing off has no

“significant differences” from the statute. Even though PharmaCommunications raised other issues on appeal, the Court of Appeal found that unless PharmaCommunications succeeded in establishing its argument that the test for common law should not be relied on for a statutory passing off claim, the main issue to be decided on appeal was whether the trial judge had erred in its finding that evidence of actual or potential damage is required.

In *Kirkbi AG v Ritvik Holdings Inc* (2005 SCC 65 [2005]), the Supreme Court of Canada affirmed the tripartite test for passing off, including the requirement of evidence of actual or potential damage (for further details please see "Lego manufacturer blocked from asserting rights in functional mark"). Therefore, the Court of Appeal upheld the trial court's decision and found that as PharmaCommunications had failed to adduce evidence of actual or potential damage, it had failed to make out its case. The appeal was thus dismissed.

The decision establishes that evidence of actual or potential damage is required to be successful in a common law or statutory passing off claim. This highlights the importance of protecting trademark rights through registration - had PharmaCommunications registered its trademark, it would not have been necessary to prove damages to enforce its rights.

Jennifer Powell, Fasken Martineau DuMoulin LLP, Vancouver

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