

Federal Court



Cour fédérale

Date: 20180319

Docket: T-1902-16

Citation: 2018 FC 312

Ottawa, Ontario, March 19, 2018

PRESENT: The Honourable Mr. Justice Gleeson

BETWEEN:

WELDPRO LIMITED

Applicant

and

**WELDWORLD CORP.
AND WILLIAM KOCKEN**

Respondents

JUDGMENT AND REASONS

I. Overview

[1] This is an application brought pursuant to sections 53.2 and 55 of the *Trade-Marks Act*, RSC 1985, c T-13 [Act]. The applicant, Weldpro Limited [Weldpro], alleges the respondents, Weldworld Corp [Weldworld] and Mr. William Kocken, have engaged in passing off activity.

[2] The applicant alleges that: (1) the respondents' use of, and attempt to register, the trade mark 1-877-WELDPRO directs public attention to the respondents' goods in a way that causes confusion contrary to paragraph 7(b) of the Act; and (2) the respondents are passing off their goods for those of Weldpro contrary to paragraph 7(c) of the Act. The applicant states that the individual respondent's conduct has been so egregious that the Court should pierce the corporate veil and hold him personally liable for damages caused. The applicant did not pursue the paragraph 7(c) claim in either written or oral submissions.

[3] The applicant seeks declaratory and injunctive relief. In addition the applicant seeks an order requiring the respondents to: (1) abandon any use of the mark 1-877-WELDPRO or other name or mark incorporating WELDPRO; (2) withdraw a pending application before the Canadian Intellectual Property Office for the alphanumeric mark 1-877-WELDPRO; and (3) deliver up or destroy all labelling that would be in violation of Weldpro's rights in the WELDPRO trade mark. Finally the applicant seeks punitive damages and costs on a solicitor and client basis.

[4] For the reasons set out below the application is dismissed. The applicant has not established a breach of paragraph 7(b) of the Act.

II. Background

A. *The Parties*

[5] The respondent corporation, Weldworld, is a privately held company incorporated under Alberta's *Business Corporations Act*, RSA 2000 c B-9. Weldworld was originally incorporated as Advanced Industrial Supply Ltd [AIS] but changed its name to Weldworld Corp in October 2013. The individual respondent, Mr. William Kocken, is the president of Weldworld.

[6] The applicant was initially incorporated as 1105514 Alberta Ltd. under Alberta's *Business Corporations Act*. The applicant changed its name to Weldpro Ltd. in May 2009. Weldpro's sole officer and director is Mr. Perry Rideout. Mr. Rideout worked for the respondent Weldworld (then AIS) from 2005 until late August 2009.

B. *Other Litigation*

[7] The parties are competitors in the Edmonton marketplace.

[8] In 2009 Weldpro commenced proceedings against Weldworld (then AIS) in Alberta's Court of Queen's Bench for unpaid accounts [the 2009 litigation]. Weldworld counterclaimed, alleging that Weldpro was passing off on a mark owned by Weldworld Corp: the phone number 1-877-WELDPRO. The litigation was concluded when the parties executed a settlement agreement and mutual release of their claims in May 2012, which included recognition of the applicant's use of the name Weldpro.

[9] Apart from the present application, the parties are also currently involved in separate litigation before the Court of Queen's Bench of Alberta. That litigation involves allegations of breach of contract and breach of fiduciary duties. These allegations relate to the move of Mr. Gilbert Taylor from his position as a senior outside sales representative for Weldworld to a sales position with Weldpro in January 2015.

C. *The Trade Mark Dispute*

[10] It is not disputed as between the parties that Weldworld, operating first under the name of AIS and since 2013 as Weldworld Corp, had used the phone mark 1-877-WELDPRO in conjunction with its business activities in or around 1999. The parties also do not dispute that Weldworld was using the mark 1-877-WELDPRO from 2011 onward: I note that the settlement agreement in respect of the 2009 litigation was executed during this period, in May 2012. The parties do dispute whether Weldworld used the mark 1-877-WELDPRO between 2001 and 2011, and if so to what extent.

[11] In March 2015, the respondent Weldworld applied to register the trade mark "1-877-WELDPRO." In September 2015, the applicant Weldpro applied to register the trade mark "Weldpro."

[12] The Canadian Intellectual Property Office issued an objection against Weldpro's application because it was confusing with Weldworld's previously-filed "1-877-WELDPRO" application. Weldpro initiated opposition proceedings against Weldworld's registration. That

opposition is ongoing. Subsequently, in November 2016, Weldpro initiated this application alleging passing off.

III. The Law

[13] The common law tort of passing off is codified in paragraph 7(b) of the Act, which states:

7 No person shall	7 Nul ne peut :
[...]	[...]
(b) direct public attention to his goods, 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 goods, services or business and the goods, services or business of another;	b) appeler l'attention du public sur ses produits, ses services ou son entreprise de manière à causer ou à vraisemblablement causer de la confusion au Canada, lorsqu'il a commencé à y appeler ainsi l'attention, entre ses produits, ses services ou son entreprise et ceux d'un autre;

[14] The three required components of a passing off action were set out by the Supreme Court of Canada in *Ciba-Geigy Canada Ltd v Apotex Inc*, [1992] 3 SCR 120 at 132, 95 DLR (4th) 385 [*Ciba Geigy*] as “the existence of goodwill, deception of the public due to misrepresentation, and actual or potential damage to the plaintiff.” The jurisprudence recognizes that the purpose of a passing off action is to protect a merchant’s or manufacturer’s “ownership” in a brand, trade name or appearance of a product (*Ciba Geigy* at para 134).

IV. Issues

[15] In their submissions the parties have framed the issues as including: (1) whether the applicant has demonstrated passing off; and (2) if passing off has been established what remedies are to be granted and should Mr. Kocken be held personally liable. The quantum of any award of costs to the successful party is also in issue.

[16] Having reviewed the parties' written submissions and having heard their oral arguments the only issues I need address are:

- A. Has Weldpro demonstrated the three elements needed to establish passing off and a violation of paragraph 7(b) of the Act?; and
- B. Costs.

V. Analysis

- A. *Has Weldpro demonstrated the three elements needed to establish passing off and a violation of paragraph 7(b) of the Act?*

[17] The applicant submits that the evidence before the Court is sufficient to establish all three elements of the passing off test: goodwill, the likelihood of deception, and damage.

(1) Goodwill

[18] The applicant argues that Weldpro's goodwill - "the benefit and advantage of the good name, reputation and connection of a business" that attracts customers towards its owner's wares or services rather than those of its competitors (*Asbjorn Horgard A/S v Gibbs/Nortac Industries Ltd*, [1987] 3 FC 544, 38 DLR (4th) 544 (FCA) at para 24) - is not in dispute. In taking this position the applicant points to the evidence of Mr. Kocken to establish Weldpro's: (1) use of, and the reputation of, the Weldpro name; (2) ability to attract business in the Edmonton market; and (3) use of the Weldpro name on its sign and trucks.

[19] Despite Mr. Kocken's evidence relating to his knowledge of Weldpro's presence in the marketplace, the respondents have unequivocally taken the position that "goodwill or reputation in the mind of the public" has not been established by the applicant. The issue of goodwill, contrary to the applicant's stated position, is in dispute.

[20] To establish goodwill the applicant must demonstrate goodwill or reputation "in the mind of the purchasing public...such that the get up is recognised by the public as distinctive specifically of the plaintiff's goods or services" (*Ciba Geigy* at 132 citing *Reckitt & Colman Products Ltd v Borden Inc*, [1990] 1 All ER 873 at 880). I am unable to conclude that Mr. Kocken's evidence can be relied upon to establish goodwill or reputation in "the mind of the purchasing public" for a number of reasons.

[21] First, Mr. Kocken is the president of Weldpro's competitor in the Edmonton marketplace and in that capacity has been involved in litigation against Weldpro in at least two other proceedings. In these circumstances it would be disingenuous to attribute any of Mr. Kocken's knowledge of Weldpro to goodwill in the Weldpro mark. Even absent the litigation history I find it difficult to conclude that the knowledge of a direct competitor might normally be considered as representative of, or as establishing, the knowledge of the purchasing public. While I would not conclude that a competitor's knowledge can never be sufficient to establish that goodwill exists, in this instance Mr. Kocken's knowledge, absent more, is insufficient to do so.

[22] Second, the applicant relies on *Vancouver Community College v Vancouver Career College (Burnaby) Inc*, 2017 BCCA 41 [*Vancouver Community College*] to argue that it need not advance evidence of advertising campaigns or budgets to establish goodwill. I do not disagree. However the British Columbia Court of Appeal also noted that an enquiry into goodwill involves an enquiry into "perceptions in the relevant marketplace" (*Vancouver Community College* at para 44). *Vancouver Community College* acknowledges that while an applicant may establish goodwill in any number of ways it must nonetheless do so based on perceptions in the marketplace. In *Vancouver Community College* the Court noted there was "a significant body of evidence to the issue of goodwill" including use of the mark in issue on brochures, as a domain name, and on calendars and other documents; there was also evidence from surveys into name awareness. (*Vancouver Community College* at paras 42 to 49). No such evidence exists here.

[23] The applicant has not established the goodwill prong of the passing off test and therefore has failed to demonstrate that the respondents have acted contrary to paragraph 7(b) of the Act.

[24] In light of my finding on goodwill it is not necessary to address the remaining two prongs of the test, but I will briefly comment on the issues of misrepresentation or deception and damages.

(2) Misrepresentation or Deception

[25] The applicant submits that the parties have built up concurrent goodwill in similar trade marks in Edmonton: the applicant's goodwill is in "Weldpro," a mark it began to use in 2009. The respondent's goodwill is in the mark "1-877-WELDPRO."

[26] The applicant submits that in the context of concurrent use there was no likelihood of deception where the mark 1-877-WELDPRO was exclusively associated with the AIS corporate name as this was sufficient to differentiate the mark from "Weldpro." The applicant argues this changed in 2013 when the respondent's corporate name was changed to Weldworld, a name that is similar to Weldpro, and the respondent corporation also took steps to increase the prominence of the 1-877-WELDPRO mark.

[27] There was no evidence before the Court of confusion following these events. In oral submissions the applicant took the position that a hypothetical likelihood of confusion was sufficient to establish the misrepresentation prong of the test in a passing off proceeding. Again I disagree.

[28] In support of its position the applicant relies on *Law Society of British Columbia v Canada Domain Name Exchange Corporation*, 2004 BCSC 1102, aff'd 2005 BCCA 535 [*Law Society of British Columbia*] to advance the position that “[e]vidence of actual confusion could bolster the fact that there is a misrepresentation but it is not needed here where the misrepresentation is so obvious and that it exists is just a matter of common sense.” (*Law Society of British Columbia* at para 29). Although I accept that there will be circumstances where deception is obvious as a matter of common sense and no further evidence will be required, this again is not the situation here.

[29] The applicant’s assertion that the corporate respondent’s name change from AIS to Weldworld blurred the distinction between the corporate name Weldpro and the alphanumeric phone number 1-877-WELDPRO is neither obvious nor evident. The applicant has advanced no evidence to support this conclusion, instead relying on bald assertions and asking that the Court accept the hypothetical possibility of deception and confusion as sufficient to establish misrepresentation and deception. Applicant’s counsel was unable to identify any authority in the course of oral submissions to support the argument that hypothetical confusion or deception was sufficient to establish the second prong of the passing off test.

[30] In later correspondence applicant’s counsel identified *Bonus Foods Ltd v Essex Packers Ltd*, [1965] 1 Ex CR 735, 49 DLR (2d) 320 [*Bonus Foods*] as an authority for this proposition. I have reviewed *Bonus Foods* and note it addresses potential infringement of a registered trade mark under section 20 of the Act and the interpretation of the words “deemed to have infringed” as used in that section (*Bonus Foods* at 753). This is of no assistance in interpreting the required

elements of a passing off claim in respect of an unregistered mark under paragraph 7(b) of the Act, the issue in this case.

[31] The applicant also relies on a line of jurisprudence that involves the use of a family name where concurrent rights in goodwill flow to two separate business entities that emerge from a split in the original single family business (*J & A McMillan Ltd v McMillan Press Ltd* (1989), 27 CPR (3d) 390, 99 NBR (2d) 181 (NBCA); *Sir Robert McAlpine Limited v Alfred McAlpine Plc*, [2004] EWHC 630 (Ch); *WS Foster & Son Limited v Brooks Brothers UK Limited*, [2013] EWPC 18; *Edward Chapman Ladies' Shop Limited v Edward Chapman Limited*, 2007 BCCA 370). This is not one of those cases. Rather this is a case where there is similarity between a business name and an alphanumeric phone number. There is no shared corporate history or corporate name, and as such the concurrent rights jurisprudence relied on by the applicant is of little assistance.

[32] The applicant has not demonstrated that the “bounds of appropriate commercial behaviour have been overstepped to the detriment of” the applicant (*Vancouver Community College* at para 54). Deception or misrepresentation has not been established.

(3) Damage

[33] In respect of the third prong, though the applicant claims the respondents’ actions have “affect[ed] the value of the Weldpro name and business,” it has not brought any evidence of damage. “[A]ctual or potential damage is a necessary element in finding liability under paragraph 7(b). In the absence of evidence in this regard, the Court cannot conclude that there is

liability” (*Nissan Canada Inc v BMW Canada Inc*, 2007 FCA 255 at para 35). Having led no such evidence the applicant has clearly failed to establish damage.

[34] As I have concluded that none of the elements of the passing off test have been established there is no breach of paragraph 7(b) of the Act. No remedy is due, while I need not consider the applicant’s submission to the effect that the corporate veil be lifted and Mr. Kocken be found personally liable, I again feel compelled to make some comment.

B. *Lifting the corporate veil*

[35] The threshold for lifting the veil is high. The nature of egregious conduct that has warranted such a result has included corporate directors lying to the court (*642947 Ontario Ltd v Fleischer* (2001), 56 OR (3d) 417, 209 DLR (4th) 182 (Ont CA)), the misappropriation of funds by corporate directors (*Shoppers Drug Mart Inc v 6470360 Canada Inc (Energyshop Consulting Inc/Powerhouse Energy Management Inc)*, 2014 ONCA 85) or the transfer of business to a corporation for the sole purpose of evading a default judgment (*Asics Corporation v 9153-2267 Québec Inc*, 2017 FC 257). The applicant’s record does not disclose any such evidence. Even if the passing off claim had been founded, there is no evidence of the type of egregious conduct that would warrant lifting the corporate veil and imposing personal liability on Mr. Kocken.

C. *Costs*

[36] The parties have made extensive submissions on the issue of costs.

[37] The respondents seek costs on a solicitor-client basis submitting that the application was baseless, the applicant's evidence was disingenuous, the arguments were in many respects without foundation and the claim against Mr. Kocken personally was wholly unwarranted. The respondents submit that the application was unnecessary in view of the trade mark opposition proceedings that had been commenced prior to the application.

[38] The applicant's position on costs has evolved. In representations first provided to the Court under the cover of correspondence dated October 27, 2017 the applicant argues that it has had success in pursuing the application as the respondent has made admissions that are consistent with elements of the declaratory relief being sought. The applicant argues, on the basis of the respondents' admissions, that success as between the parties has been evenly divided and that each party should bear its own costs. In the alternative the applicant seeks a direction that costs be assessed at the high point of column III and submitted a draft bill of costs reflecting that position.

[39] On October 31, 2017 the applicant submitted a second draft bill of costs that sought costs on a solicitor-client basis. No submissions were provided in support of this second draft bill although there was an indication it had been simply omitted from the October 27, 2017 submissions. In a further letter dated October 31, 2017 responding to a letter from the respondent dated October 30, 2017 taking issue with the applicant's draft solicitor-client bill of costs, applicant's counsel states that Rule 420 of the *Federal Courts Rules*, SOR/98-106, [Rules] is relied upon in advancing the draft solicitor-client bill of costs.

[40] I have carefully considered the applicant's cost submissions to the effect that success has been evenly divided in this case. I cannot agree. The respondents' failure to dispute certain facts or their acknowledgement that a typographical error was made in referencing the numeric identifier (1-800 instead of 1-877) cannot be characterized as success on the part of the applicant. I also note that the applicant has not addressed the question of whether any of the issues in which success has been declared in written submissions might have been more efficiently addressed in the ongoing trade mark opposition proceeding. The applicant's submissions indicate that the trade mark opposition proceeding was commenced before this application was initiated.

[41] The issue in this application is passing off and the applicant is unsuccessful on that issue. The respondents shall have their costs. A successful party should not, in my opinion, be penalised for narrowing the issues and conceding non-contentious facts in the course of a proceeding.

[42] The respondents have submitted two draft bills of cost, the first based on column III of Tariff B in the amount of \$12,370.74 inclusive of disbursements and taxes and the second based on solicitor-client costs in the amount of \$113,646.99 inclusive of disbursements and taxes.

[43] Costs fall within the discretionary powers of the Court. In exercising that discretion the Court may consider the factors set out at Rule 400 of the Rules. These factors include, among others, the outcome of the proceeding, the complexity of the proceeding and the conduct of the parties.

[44] As noted above I have found there has been no shared or split success in this case. I note the issues in play are relatively straight forward. I note and agree with the respondents' submissions to the effect that the applicant's concurrent goodwill argument unnecessarily complicated the proceedings, proceedings that on their face demonstrated little chance of success. I note that in pursuing this application and for reasons unaddressed in the proceedings, the applicant failed to advance the best available evidence, that of Weldpro's director Mr. Rideout, to support its position. I note the applicant alleged personal misconduct on the part of Mr. Kocken, an allegation that was little more than a bald assertion in written submissions and was not pursued in any fashion in the course of oral submissions.

[45] While the applicant's conduct has been questionable and even troubling, I am not satisfied it rises to the level of reprehensible, scandalous or outrageous conduct that would warrant the rare award of solicitor-client costs. I am of the view that an award of solicitor-client costs would be excessive in this case.

[46] However, I am also of the opinion that an award in excess of that provided for at column III of Tariff B is appropriate. I am of the view that fixed costs in the amount of \$25,000 inclusive of disbursements and taxes, excepting Mr. Kocken's travel expenses discussed below, are to be awarded. In arriving at this amount I have been roughly guided by columns IV and V of Tariff B.

[47] In the respondents' drafts bills of costs, travel expenses for Mr. Kocken to attend the hearing of this matter are identified in the amount of \$912.66. It is indicated that these expenses were personally paid by Mr. Kocken. The allegations of personal misconduct understandably

triggered Mr. Kocken's desire to attend the hearing of this matter. He shall separately have his costs in respect of his travel expenses in the amount of \$912.66.

JUDGMENT

THIS COURT'S JUDGMENT is that:

1. The application is dismissed.
2. The respondent Weldworld Corp shall have its costs inclusive of disbursements and taxes in the fixed amount of \$25,000.
3. The respondent William Kocken shall have costs in the fixed amount of \$912.66 inclusive of disbursements and taxes.

“Patrick Gleeson”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1902-16

STYLE OF CAUSE: WELDPRO LIMITED v WELDWORLD CORP. AND
WILLIAM KOCKEN

PLACE OF HEARING: OTTAWA, ONTARIO

DATE OF HEARING: OCTOBER 11, 2017

JUDGMENT AND REASONS: GLEESON J.

DATED: MARCH 19, 2018

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