

## **Federal Court of Appeal Confirms that Goodwill can Exist without Carrying on Business in Canada**

A recent decision of the Federal Court of Appeal clarifies some basic principles concerning establishing goodwill and proof of foreign law and jurisdiction.

### **The Facts**

The Appellant is the owner and publisher of an Indian Punjabi-language daily newspaper called the “Ajit Daily”. This paper has been published in India since 1955 and is well-known among the Punjabi population in India. An online version has been available since 2002.

While only a small number of subscriptions have been sold in Canada at trial the appellant presented the evidence of a number of individuals who said they were aware of the Ajit Daily and its reputation as an important Punjabi paper in India.

The respondent owns and publishes a Canadian Punjabi-language newspaper called the “Ajit Weekly.” The newspaper has been published in Canada since 1993 and is distributed without charge at the front of supermarkets and other stores. An online version has been available since 1998.

The Appellant commenced an action in the Federal Court asserting claims for copyright infringement and passing off. One of the issues concerning the copyright claim was the impact of a partial settlement agreement previously entered into by the parties relating to litigation between them in the U.S. The agreement provided that it was to be governed by the laws of New York and that the New York courts retained jurisdiction over its interpretation and implementation.

## **The Trial Decision**

After a motion for a summary trial the judge dismissed the copyright claim on the basis that there was insufficient evidence of the law of New York as there was no expert evidence concerning it. In addition it was said that any disputes between the parties regarding copyright should be determined by a New York court as the parties had agreed to that court retaining jurisdiction over any disputes.

To succeed with a claim of passing off the plaintiff must establish three elements: first, that it possesses goodwill in the trade-mark; second, that the defendant deceived the public by misrepresentation; and, third, that the plaintiff suffered actual or potential damage through the defendant's actions. The trial judge found that the appellant had failed to establish any of these elements.

## **The Appeal**

The appellant appealed from this decision to the Federal Court of Appeal.

## **The Copyright Claim**

With respect to the lack of expert evidence concerning the law of New York the Court referred to the well-known principle of conflicts of laws that when a court is interpreting a contract that contains a choice of foreign law clause, domestic law applies if there is no evidence concerning the foreign law.<sup>1</sup>

With respect to the provision of the agreement that provided that disputes should be determined by a New York court the Court observed that the parties had submitted to the jurisdiction of the Federal Court for adjudication of the copyright claim through their pleadings and had not objected to the Federal Court's jurisdiction. As a result, the

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<sup>1</sup> 2016 FCA 69

Federal court could not decline to hear a dispute that otherwise came within its jurisdiction.

### **The Passing-off Claim**

The Court said that the trial judge's conclusion concerning goodwill was based on a consideration of the existence of goodwill from the viewpoint of the limited number of Ajit Daily subscribers in Canada. The Court said this was incorrect as it was well established in Canada that goodwill within a defendant's market may be shown to exist by virtue of the reputation of the plaintiff's trademark in the defendant's market, even where the plaintiff does not use the trademark in that market. In other words the plaintiff does not have to be carrying on business in Canada to establish goodwill in Canada. In addition, the trial judge failed to consider whether acquired distinctiveness had been shown in relation to the appellant's trademark when confusion was considered.

With respect to the claim for damages the Court observed that damage can be established through proof of a loss of control over reputation, image or goodwill. The mistaken conclusion concerning the absence of goodwill affected the conclusion on damages as well.

As a result of these problems the appeal was allowed and a new trial was ordered to take place.

### **Comment**

It is significant that the Federal Court of Appeal has applied the concept that the plaintiff does not have to be carrying on business in Canada to establish goodwill in Canada for the purposes of bringing an action for passing-off. The approach concerning proof of foreign law and jurisdiction are well known but serve as important reminders.

In our May 2015 comment we discussed the U.K. rule which is to the opposite effect, as confirmed by the U.K. Supreme Court. That decision was not mentioned by the Court of Appeal.

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*These comments are of a general nature and not intended to provide legal advice as individual situations will differ and should be discussed with a lawyer.*