

A Trademark Application *Per Se* Does Not Support an Infringement or Passing Off Action

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In [2788610 Ontario Inc. v. Bhagwani](#), 2022 ONSC 6098 (“*Bhagwani*”), the Divisional Court vacated an order for an interlocutory injunction issued by a motion judge in February 2022 that prohibited the Defendants from using BOMBAY FRANKIE in connection with a restaurant business ([2788610 Ontario Inc. v. Bhagwani et al.](#), 2022 ONSC 905). The Plaintiff sought the injunction as part of an action for trademark infringement and passing off. At the time of the injunction motion, the Plaintiff had filed several trademark applications with the Canadian Intellectual Property Office for the trademark BOMBAY FRANKIES and had begun negotiations to franchise restaurants under that name. In allowing the appeal, the Divisional Court confirmed that trademark infringement actions must relate to a *registered* trademark; and that goodwill in an alleged mark must be established to support a passing off action.

The issuance of the February injunction, and the underlying decision, was the subject of criticism for essentially the reasons the Divisional Court identified in vacating the Order – i.e., that the *Trademarks Act* explicitly limits the availability of infringement proceedings to registered marks, and that, while owners of unregistered mark can sue for passing off, they must first establish the alleged mark has acquired some reputation, usually via use in commerce.

Moreover, the test for granting an interlocutory injunction is generally considered to have a high bar. To succeed, the moving party must satisfy all three elements of the *RJR-MacDonald Inc. v Canada (Attorney General)* test: (1) a serious issue to be tried; (2) irreparable harm; and (3) the balance of convenience favours granting the injunction. Interlocutory injunctions are extraordinary remedies, and historically, courts have been reluctant to grant them, particularly in trademark disputes, where such orders can be functionally dispositive.

Bhagwani highlights an inherent tension within the Canadian trademark regime – that common law trademark rights arise under the provincial power of “property and civil rights”, while trademark registration rights arise under the Federal Government’s “trade and commerce” power and cannot trench on matters of provincial jurisdiction without sufficient national justification.

The *Bhagwani* Decisions

Bhagwani involved a dispute between two parties in the restaurant business over the trademark and trade name BOMBAY FRANKIE / BOMBAY FRANKIES. The Plaintiff 2788610 Ontario Inc. incorporated in October 2020 and subsequently filed a Canadian trademark application for

BOMBAY FRANKIES the same month. By early 2022, it had retained a marketing firm, chefs, and franchise lawyers to help market and launch the business but had not yet opened any restaurants. The Defendant Bhagwani, meanwhile, registered the domain name www.bombay-frankie.com, and began using the mark on social media accounts in February 2021, and the next month, incorporated a business “Bombay Frankie Inc.” and filed a trademark application for BOMBAY FRANKIE. Bhagwani’s first BOMBAY FRANKIE restaurant opened in July 2021. Another opened in October 2021.

In September 2021, the Plaintiff commenced an action against the Defendants, claiming trademark infringement and passing off under sections 7(b), 7(c), 19 and 20 of the *Trademarks Act* and shortly thereafter moved for an interlocutory injunction in an attempt to prohibit use of BOMBAY FRANKIE by the Defendants.

On the motion, the Plaintiff argued they had priority to register BOMBAY FRANKIE over the Defendants as the first filer, and that the Defendants were aware of the senior BOMBAY FRANKIES application because it would have appeared on a trademark search. On the first element of the *RJR-MacDonald* test, the judge found: serious issues to be tried, including that the Plaintiff was the first to file an application for BOMBAY FRANKIES and the Defendant’s use did not predate this filing date, and that there were novel claims about whether claims for infringement crystallize at the time of filing or the time of registration arising from changes to the *Trademarks Act* implemented in 2019; and that there are “arguable claims for trademark infringement and passing off raised in this action”. On the second element, the judge accepted the Plaintiff’s arguments that it was already suffering damage due to confusion among landlords about whether the Plaintiff and Defendants were related, and that until priority issues over the trademark were finally determined, the Plaintiffs would have a significant disadvantage in establishing their own name recognition and goodwill because the Defendant had already commenced use of BOMBAY FRANKIE. On the third element, the judge recognized that the Defendants would suffer some inconvenience if ordered to stop using BOMBAY FRANKIE with two restaurant locations, but that the Defendants also operated other restaurants under a different name and that “the majority of [the Defendants’] goodwill would be attached to those other restaurants”.

On appeal, the three-judge panel of the Ontario Superior Court of Justice, Divisional Court, led by Justice Nishikawa, determined the motion judge erred in the assessment of the *RJR-MacDonald* factors.

On the “serious issue” element, the court found several “errors in principle”. On infringement, to determine there was a “serious issue” the motions judge must have first concluded that the Plaintiff either “had a right to the BOMBAY FRANKIES trademark merely by virtue of its application” or that application would be registered – both errors of law. First, the Court observed that trademark infringement, which is a statutory cause of action (sections 19 and 20 of the *Trademarks Act*), explicitly requires the claimant “have a **registered trademark** that is alleged to have been infringed”. Here, the Plaintiff did not have a registration. Second, “registration is not a foregone conclusion”. An application may be refused for numerous

reasons. It is “an error to presume that a trademark for which an application has been filed will be registered”. Consequently, there was thus “no right that could ultimately be vindicated at trial”: “a mere application to register a trademark is insufficient to support a cause of action for trademark infringement under the Act”.

On passing off, the motions judge also erred because the Plaintiff’s start-up activities did not create actionable goodwill in BOMBAY FRANKIES. While unregistered trademark owners can sue for passing off without a registration, they must nevertheless prove that the mark in question has a reputation. Justice Nishikawa noted that goodwill attaches to “a name or mark as it relates to the reputation or association with the goods or services provided by the owner of the mark”. Here, the Plaintiff’s steps to develop a franchise by speaking with lawyers, marketers, landlords, and food suppliers, were “start-up activities” that did not constitute goodwill as recognized in the case law. While the Court recognized that goodwill in BOMBAY FRANKIES could exist from the perspective of potential franchisees of that business, there was no evidence on record speaking to such perspective.

On the “irreparable harm” element, the Court found the motions judge committed a “palpable and overriding error” by attributing irreparable harm to concerns expressed by the Plaintiff’s prospective landlords about confusion between the Plaintiff’s and Defendants’ businesses, and a resulting hesitancy to lease space to the Plaintiff. The Court found harm flowing from an inability to rent a particular space was quantifiable and reparable; that confusion among landlords “does not constitute confusion among customers or the public resulting in a loss of goodwill”; and that, in any event, any loss to the Plaintiff’s goodwill in BOMBAY FRANKIES would be to “prospective goodwill”, which is not cognizable – “the cause of action for passing-off protects existing goodwill”. “In order to demonstrate irreparable harm, the [Plaintiff] had to show that it had goodwill in the Bombay Frankie name and that it would lose its goodwill because of the [Defendants’] confusing use”. Moreover, absent a registered trademark or trademark use, the Court found “no basis” to find the Plaintiff was entitled to a “first mover” advantage.

Having found errors on the first two factors, the Court did not substantively engage with the “balance of convenience” element, except to comment that it may have actually favoured the Defendants, who would have been required to remove their business signage, and change their websites and social media.

Conclusion

While Canada may have a trademark registration regime that does not oblige an applicant to prove use to obtain a filing date or a registration, the Divisional Court decision in *Bhagwani* highlights the importance of coupling trademark applications with actual use to ground enforceable trademark rights.