



BUSINESS NAMES LEGISLATION

Consultation Memorandum No. 3

December, 1996

ALBERTA LAW REFORM INSTITUTE

The Alberta Law Reform Institute was established on January 1, 1968, by the Government of Alberta, the University of Alberta and the Law Society of Alberta for the purposes, among others, of conducting legal research and recommending reforms in the law. Funding of the Institute's operations is provided by the Government of Alberta, the University of Alberta, and the Alberta Law foundation.

Richard H. Bowes, one of the Institute's counsel, has carriage of the project on business names legislation and has written this Consultation Memorandum.

PREFACE AND INVITATION TO COMMENT

This Consultation Memorandum discusses provincial business names legislation. It begins by discussing possible objectives of business names legislation, the contours (but not the detailed anatomy) of such legislation in Alberta and other jurisdictions, and the interface between business names legislation and other bodies of law (such as the federal *Trade-Marks Act*). It concludes by raising a number of specific issues relating to business names legislation. Some of the issues relate to whether Alberta should even pursue the objectives of business names legislation identified in the first part of the memorandum. Other issues assume that a particular objective will be pursued and consider the design of legislation that pursues it.

The Institute's purpose in circulating this Consultation Memorandum is to give interested persons an opportunity to provide us with their thoughts on the issues considered in the memorandum. Any comments provided to the Institute will be considered when the Institute decides what final recommendations it will make regarding provincial business names legislation.

Readers' attention is drawn to the numbered issues set out in the body of the memorandum starting at page 28. In most cases, the statement of an issue is followed by several options for dealing with the issue. Readers are invited to comment on the options that we set out for each issue but are also invited to suggest approaches that they think would be superior to any of the options presented in the memorandum. Although we are interested in finding out **what** approach readers favour for each issue, we are even more interested in finding out **why** readers support or oppose a particular approach.

We request that readers provide us with their comments by March 14, 1997. Comments in writing are preferred. Please address comments to:

Business Names Project
Alberta Law Reform Institute
402 Law Centre
University of Alberta
Edmonton, Alberta, T6G 2H5

Fax: 403-492-1790
E-mail: reform@alri.ualberta.ca

Table of Contents

Glossary	iii
Statutes and Regulations Cited	iv
List of Issues	vi
INTRODUCTION	1
PART 1 — DISCUSSION	3
A. The Functions of Business Names Legislation	3
1. Protecting the functionality of business names	3
2. The disclosure objective of business names legislation	5
3. A hybrid function	5
B. Existing Business Names Legislation	6
1. Corporate names	6
(a) Alberta	6
(b) Other jurisdictions' corporate names policies	12
2. Assumed business names	14
(a) Alberta – disclosure only	14
(b) UK – direct disclosure only	15
(c) Ontario – disclosure and limited name regulation	16
(d) Other provinces – disclosure and comprehensive name regulation	17
(e) Newfoundland – no business names legislation	18
C. Related Bodies of Law	18
1. The common law doctrine of passing-off	18
2. Trade-Marks Act	20
PART 2 — ISSUES AND OPTIONS	28
A. Regulation of Business Names	30
1. Is Provincial Legislative Intervention Desirable?	30
(a) The public interest	30
(b) Protecting firms' names	36
2. Specific Issues	39
B. Disclosure	50
1. The General Approach	51
(a) Disclosure through registration	51
(b) Disclosure on demand	52
(c) Continuous direct disclosure	53
2. Disclosure through Registration	54
3. Direct Disclosure	64
C. Additional Issues	67
1. Application of Legislation	67
2. Compliance	68
3. Transitional concerns	72

Glossary

assumed business name	<p>Any business name other than</p> <ul style="list-style-type: none">• a corporation's corporate name;• an individual proprietor's real name, with or without a term indicating the nature of the individual's business;• the real name of each member of a partnership, with or without a term that indicates the nature of the partnership business. <p>This is broader than the specialized sense in which "assumed name" is used in section 270 of the <i>Business Corporations Act</i>.</p>
business name	<p>A name by which a firm identifies itself to the public. A business name could be a firm's real name; for example, a corporate name could also be the corporation's business name. A firm can have more than one business name.</p>
business names register	<p>A register that contains information regarding assumed business names and the firms that are (or were) using them. Such a register might or might not also include corporate names. A jurisdiction might have combined or separate registers of assumed business names and corporate names.</p>
corporate name	<p>A corporation's real name, as shown in the records of the jurisdiction under whose laws it is constituted.</p>
corporation	<p>Any body corporate, regardless of how or in what jurisdiction it is constituted.</p>
firm	<p>Any individual, group of individuals or organization that carries on a commercial activity. The term is sometimes used to refer specifically to partnerships but is not so limited in this paper.</p>
junior name	<p>The converse of a senior name.</p>
senior name	<p>A business name that was adopted by a firm before another firm adopted a similar business name. For this purpose, what constitutes adoption of a business name would depend on the laws of the relevant jurisdiction. Depending on what those laws are, a firm might be considered to have adopted a business name when it has built up a reputation in connection with the name,, when it has used it, or, perhaps, when it has registered it.</p>
unique identifier	<p>An identifier, such as a name, number, or alpha-numeric code, that is assigned to a firm by a procedure that is designed to ensure that no two firms have the same identifier.</p>

Statutes and Regulations Cited

The following gives the full citation for most statutes and regulations mentioned in this paper, arranged alphabetically by jurisdiction.

Alberta

Business Corporations Act, S.A. 1981, c. B-15, as am. S.A. 1984, c. 12, s. 1

Business Corporations Regulation, A.R. 27/82, as am. A.R. 197/84

Companies Act, R.S.A. 1980, c. C-20

Land Titles Act, R.S.A. 1980, c. L-5

Partnership Act, R.S.A. 1980, c. P-2

Personal Property Security Act, S.A. 1988, c. P-4.05

Societies Act, R.S.A. 1980, c. c. S-18

British Columbia

Partnership Act, R.S.B.C. 1979, c. 312

Canada

Canada Business Corporations Act, R.S.C. 1985, c. C-44

Canada Business Corporations Regulation, SOR/79-316

Trade-Marks Act, R.S.C. 1985, c. T-13

Manitoba

Corporations Act, R.S.M. 1987, c. C-225

Business Names Registration Act, R.S.M. 1987, c. B110

New Brunswick

Partnership and Business Names Registration Act, R.S.N.B. 1973, as am. S.N.B. 1980, c. 39

Nova Scotia

Partnership and Business Names Registration Act, R.S.N.S. 1989, c. 335

Ontario

Business Corporations Act, R.S.O. 1990, c. B-16

Business Names Act, R.S.O. 1990, c. B-17

Prince Edward Island

Partnership Act, R.S.P.E.I. 1988, c. P-1

Quebec

An Act Respecting the Legal Publicity of Sole Proprietorships, Partnerships and Legal Persons,
S.Q. 1993, c. 48

Saskatchewan

Business Corporations Act, R.S.S. 1978, c. B-10

Business Names Registration Act, R.S.S. 1978, c. B-11

United Kingdom

Business Names Act 1985, 1985, c. 7

Companies Act 1985, 1985 c. 6

List of Issues

Issue 1

Should Alberta continue to maintain a business names register in which firms that use assumed business names are required to register their name and certain information about themselves?

28

It could be argued that a public register of assumed business names (a.k.a. the “partnership and trade name register”) is an unnecessary expense with few real benefits. The United Kingdom has managed without such a register since the early 1980s. The contrary argument is that a well designed business names register could serve a couple of useful functions: (1) helping to prevent different firms from adopting confusingly similar names, and (2) helping the public to get information about firms that use assumed business names.

Issue 2

Should provincial legislation impose restrictions on assumed business names, or should the only restrictions on assumed business names be those that are implicit in the common law of passing-off and the federal *Trade-Marks Act*?

40

It can be argued that provincial legislative restrictions on assumed business names will help protect the public from confusion caused by different firms using similar business names. Such restrictions could also protect firms from having the distinctiveness of their business names damaged by other firms’ adoption of confusingly similar names. The contrary argument is that any useful function that might otherwise have been served by such legislation is already well served by other bodies of law.

Issue 3

Should provincial legislative restrictions on business names be aimed only at preventing confusion on the register by preventing the registration of identical or nearly identical names? Or should they also aim to prevent confusion in the marketplace by imposing restrictions on the use of confusingly similar names? Should corporate and assumed business names be treated differently in this regard?

41

This issue is based on a distinction between the goal of preventing confusion on the register of business names or corporate names and the goal of preventing confusion in the marketplace. The first sort of objective can be satisfied by preventing different firms from having identical names. To satisfy the second objective, it may be necessary to prevent different firms from having confusingly similar names, even if they are not identical.

Issue 4

Should all business names – corporate and assumed – be considered together in determining whether there is a conflict, or should corporate names be compared only with corporate names and assumed business names only with other assumed business names?

42

It is argued in connection with this issue that if provincial legislation imposes restrictions on business names for the purpose of controlling confusion in the marketplace, it makes sense for a proposed business name – corporate or assumed – to be compared to both corporate names and assumed business names in deciding whether the proposed name is likely to create confusion.

Issue 5

Assuming that any necessary senior-user consent is obtained, should two or more firms be able to register and use identical assumed business names where, for example, the firms are franchisees?

42

This issue would arise only if there are provincial legislative restrictions on assumed business names. The question is whether two or more firms can register, or at least use, an identical name concurrently, assuming that the senior user (or the owner of a trade mark) has consented to such concurrent use.

Issue 6

Assuming that there are provincial legislative restrictions on confusing business names, should potential conflicts with registered trade marks be considered in determining whether a firm may adopt a particular corporate name or assumed business name?

43

Currently, the restrictions on corporate names in Alberta's *Business Corporations Act* pay no attention to possible conflicts with trade marks registered under the federal *Trade-Marks Act*. This issue considers the extent, if any, to which provincial restrictions on business names should take such conflicts into account.

Issue 7

Assume that (a) two firms have similar business names the concurrent use of which in the same area is likely to cause confusion in the marketplace, (b) neither firm has rights under a registered trade mark, and (c) there is a requirement to register business names before using them in Alberta. How should priority to the similar business names be determined? Should corporate names and assumed business names be treated differently?

44

This issue examines whether registration of a business name should give the registrant priority to the use of that name (or a confusingly similar name) within the province, or a particular area of the province. The alternative is to determine priority to the use of confusingly similar names in a particular area on the basis of common law principles.

Issue 8

Assume that there is a business names register and that the order of registration determines priority to a business name in case of conflict. Should priority necessarily be determined on a province-wide basis, or should there be provision for limiting the effect of a registration to a particular geographical area of the province?

46

Giving the first person to register a business name the right to prevent anyone from adopting a similar business name anywhere in the province might soon make it difficult for any firm to find a business name that is not vulnerable to attack by an earlier registrant of a similar name. One possibility would be to limit the priority afforded by registration to the area of the province in which the registrant actually uses the name.

Issue 9

Assuming that business names legislation contains restrictions on confusingly similar names, how should these restrictions be policed? Should corporate and assumed business names be treated differently?

47

This raises the question of whether any restrictions on confusingly similar names should be enforced by a government official who must approve business names before they are used, and who as part of the name approval process considers whether a proposed name is likely to be confused with an existing business name. An alternative approach is to leave it to the senior user of a business name to initiate proceedings to prevent another firm from using a name that the senior user believes to be confusing with its own.

Issue 10

If objections to a business name are determined in the first instance by the Registrar, on what grounds, if any, should the Court be able to review the merits of the Registrar's decision?

48

This is concerned with the approach that should be taken to judicial review of decisions by the Registrar regarding business names.

Issue 11

Assume that the user of a senior name consents to another firm's concurrent

use of a junior name that is similar but not identical to the senior name. Should the two firms be entitled to use the similar names concurrently, regardless of whether this will create confusion in the marketplace, or should the legislation prohibit or restrict the concurrent use of confusingly similar names even where the senior user consents to such use? Should corporate names and assumed business names be treated differently in this context? 49

Someone who thinks that the primary purpose of restrictions on business names is to protect the public from confusion might argue that the Registrar should be able to prevent the concurrent use of confusingly similar names by different firms, even if the senior user consents to such use. Someone who thinks that the purpose of the restrictions is to protect the senior user's investment in its name might argue that if the senior user is prepared to accept concurrent use of a similar name by another firm, the Registrar should not be able to prevent such concurrent use.

Issue 12

How, if at all, should business names legislation pursue the disclosure objective. 54

At this point the paper turns from restrictions on business names to the disclosure of information about firms that use assumed business names. This particular issue asks whether provincial legislation should pursue this objective, and if it does, whether it should do so through a registration requirement, through "direct disclosure" (e.g. requiring firms to set out certain information about themselves in their correspondence), or a combination of the two.

Issue 13

What information should have to be registered in the business names register? 54

This is the first of a group of issues that assume that the disclosure objective will be pursued through a registration requirement. The body of the paper sets out a list of types of information that might be required to be registered, and invites comment on the items in the list.

Issue 14

Where a business name is being used by a large partnership (e.g. more than 10 members), should the requirement to register information about each partner be relaxed? 56

This assumes that partnerships will be required to register information about each partner, and contemplates that it could be difficult for a large partnership to register and continually update the information about particular partners. It

contemplates the possibility of allowing large partnerships to maintain information about particular partners at the partnership's business premises.

Issue 15

Should individuals have the option of designating an agent for service of documents, instead of providing their residence address? 57

This issue considers the problem of balancing the public's interest in being able to find the owner of a business with the legitimate concern of individuals not to have to disclose their home address in a public register of business names. It is suggested that the respective interests could be balanced by allowing the individual to designate an agent for service of documents on that individual in connection with the business.

Issue 16

What fields in the business names data base should be searchable by the public? 58

This is another issue of balancing the usefulness of the business names register with the privacy of persons who may be required to register information in the register. The issue is particularly concerned with "sweep searches" in which a searcher searches on the "owner" field to find firms associated with that owner, rather than on the "business name" field to find the owner or owners of a particular business name.

Issue 17

Should business name registrations be subject to a periodic renewal requirement? 59

Currently much of the information in the partnership and trade name register is out of date. A periodic renewal requirement might help to keep the information in the business names register up to date. The down side of a periodic renewal requirement is that it would increase the burden of compliance with the legislation.

Issue 18

Assuming there is a renewal requirement, what should be the effect of a firm's failure to renew its business name within the renewal period? 62

This issue is particularly concerned with the effect that failure to renew a registration should have on any priority that a firm has gained by registering its name in the business name register. Should that priority terminate immediately, or should there be a grace period?

Issue 19

Apart from any periodic renewal requirement, what provision should be made for amendment of information in the register? 63

This issue is concerned with whether registrants should be required or permitted to amend information in the register when the underlying facts change. Amongst other possible changes, it considers amendment of the information about the ownership of a business name if the business is sold by the original registrant.

Issue 20

What firms should be subject to direct disclosure requirements? 64

Issues 20 through 22 relate to direct disclosure of information about firms that use assumed business names in their business documents and, perhaps, on their business premises. The issues and options are similar to those relating to disclosure through registration.

Issue 21

Where a firm is subject to direct disclosure requirements, what information should it have to disclose? 64

This sets out a list of possible disclosure items that is similar to, but not quite so long as, the list of possible registration requirements. It is suggested that if direct disclosure is ancillary to a registration requirement, the disclosures in a firm's documents would not have to be detailed, because more detailed information can be obtained from the register.

Issue 22

On what types of documents, or in what places, should direct disclosure be required. 66

This concerns the types of documents in which firms should have to disclose the required information, and whether firms should be required to make certain disclosures in advertisements and on their business premises.

Issue 23

Should business names legislation apply only to firms carrying on particular types of business or should it apply to firms regardless of the type of business they are carrying on? 67

Currently, the business names registration requirements of the *Partnership Act* apply only to certain types of businesses. It is argued that the requirements of business names legislation should apply to all types of businesses and professions, unless there are cogent reasons for exempting a particular type of business or profession.

Issue 24

To what sort of penalties or disabilities should a firm be subject for non-compliance with the requirements of the business names legislation?

68

There is a widely held perception that the registration requirements of the *Partnership Act* are honoured as much in the breach as in the observance. This problem might be mitigated by imposing more robust penalties for non-compliance, but the penalties should not be so robust as to be disproportionate to the mischief at which the legislation is aimed. The discussion under this issue considers several possible penalties for non-compliance with the legislation.

Issue 25

If Alberta were to adopt a business names registration system that assigns priority to the use of conflicting assumed business names based wholly or partly on the order of registration, how should this affect firms that are using a business name on the date that the new system comes into effect?

72

This final issue considers a transitional problem that would arise if it were decided that priority to the use of assumed business names should be based on the order of registration. It is pointed out that a strict “order of registration determines priority” approach would not be appropriate for firms that have adopted business names before the revised legislation comes into effect.

BUSINESS NAMES LEGISLATION

Consultation Memorandum

INTRODUCTION

And so it came about in some jurisdictions that legislators saw a need to regulate the use of business names, both to ensure that the public could discover the identity of the proprietors and to limit the confusion which might be caused by the use of similar names. Such regulation is simple to effect in a unitary state, but can be a jurisdictional nightmare in a federal state such as Canada.¹

Although we would not dissent from the last sentence of this passage, we have begun with the passage because it mentions the two distinct functions that may be served by business names legislation: (1) regulation of business names for the purpose of limiting the scope for confusion caused by the use of similar names, and (2) requiring firms that use a business name to disclose certain information about themselves to the public. This paper considers the desirability and design of provincial legislation that pursues either or both of these objectives, which we will label as “business name regulation” and “business name disclosure”.

From time to time over the years it has been suggested that the Alberta Law Reform Institute examine the law relating to the registration of partnerships and trade names under the *Partnership Act*. The Act requires certain partnerships and other business name users to file a declaration that discloses their business name and the identity and residence of the person or persons using the business name. This information becomes part of a publicly accessible database commonly referred to as the “partnership / trade-name register”, but which we will refer to in this paper as the “business names register”.

The Alberta Department of Municipal Affairs² administers various registry systems created by Alberta statutes, including the business names register. In the fall of 1995 the Institute solicited the Department’s view on whether it would be useful for the Institute to examine the law relating to partnership and trade name registration in Alberta. The Department replied that such a project

¹ *Reference re Corporations Act and Business Names Act* (1991) 80 D.L.R. (4th) 431 at 441-42 (Man. C.A., per Twaddle, J.A.).

² The unit of the Department that administers the registry system is called “Municipal Affairs Registries” but for brevity we shall refer to it as “the Department”.

would be useful and timely, but that it would be more useful if it was not confined to partnership and trade name registration. In particular, the Department thought it would be useful to consider more general issues relating to business names, including the interface between the law relating to partnership and trade names and the law relating to corporate names.³

After considering the Department's reply, the Institute decided to undertake a project with a somewhat broader scope than the registration of partnerships and trade names. We decided that our project should examine provincial legislation aimed either at business name regulation or business name disclosure. However, we decided not to address the special disclosure requirements for limited partnerships found in Part 2 of the *Partnership Act*. Since these disclosure requirements are intimately related to the substantive rules for limited partnerships we do not think it would be appropriate to consider the disclosure requirements in this project.

This paper is divided into two main parts. Part 1 discusses the two objectives of business names legislation and then describes the general contours of business names legislation in Alberta and other jurisdictions. It also provides a very brief overview of two related bodies of law: the common law doctrine of passing-off and the federal *Trade-Marks Act*. Part 2 raises and briefly discusses a number of issues relating to the desirability and the design of provincial business names legislation.

There are a number of references in this paper to the results of a business names survey. Many readers will be familiar with the survey, having responded to it, but a brief explanation is in order for readers who may not be familiar with it. After deciding to undertake this project we decided it would be useful to get some preliminary information about Alberta lawyers' experience with and views on the business names register under the *Partnership Act*. The Law Society of Alberta kindly agreed to distribute our business names survey in one of its regular mailings to members. Approximately 300 lawyers responded to the survey. Of course, the survey respondents constitute a self-selected sample. We assume that lawyers who use the business names register on something approaching a regular basis were more likely to respond to the survey than lawyers who do not use it much or at all, and we assume that the views of frequent users of the business names register will not necessarily correspond with the views of infrequent users or non-users. On the other hand, it seems reasonable to assume that lawyers who make above average use of the business names register will have above average knowledge of its strengths, weaknesses and

³ For convenience, we will refer to corporate names and the *Business Corporations Act*. Such references are meant to include the names of entities constituted under legislation such as Part 9 of the *Companies Act* (not-for-profit companies), or the *Societies Act*.

potential. Thus, although they may not represent a true random sample of Alberta lawyers' opinions regarding the operation of the business names register, we think the responses to our business names survey do provide interesting and valuable perspectives on various issues considered in this paper.

PART 1 — DISCUSSION

A. The Functions of Business Names Legislation

1. Protecting the functionality of business names

Laws that restrict firms in their choice of business names limit their freedom to conduct their business in the manner they see fit. We start from the premise that any such limitation requires a justification. At the very least, it should be shown that the limitation is designed to serve a clearly defined, worthwhile objective. In this paper we assume that the primary objective of laws that restrict firms' choice of business names is to facilitate competition in the market by making it easier for the public to identify and distinguish between different firms and different products.⁴

Our economy is driven by the efforts of competing firms to maximize their profits by providing customers products that give the latter more perceived bang for their buck than the products offered by competitors. Competition sometimes focuses on the price of essentially the same product offered by different firms, but price is only one of the weapons with which firms do battle with each other. One important weapon is the ability of a firm to differentiate itself or its

⁴ We assume that restrictions on business names – especially restrictions that restrict the use of identical or confusingly similar business names – have the same basic justification as laws protecting firms' trade marks or goodwill from misappropriation or "passing-off". A contrast is sometimes drawn between trade marks legislation and the law of passing-off, on the one hand, and business names legislation on the other, on the hypothesis that the former are designed to protect property rights in trade marks and goodwill, while the latter is designed to protect the public: see e.g. E. Braid, "Paper Chasers v. W.H. Smith Canada Inc.: A case comment involving trade names and trademarks in Canada" (1990) Man. L.J. 138 at 141-42. However, although trade marks legislation and the doctrine of passing-off protect individual firms' trade marks and goodwill, the most coherent justification for affording individual firms' such protection focuses on the benefit to the economy as a whole of doing so. Firms' trade marks and the goodwill in their names are protected to preserve the ability of trade marks and names to transmit useful information to consumers, which enhances competition in the market: see e.g. P. Kaufmann, *Passing Off and Misappropriation: An Economic and Legal Analysis of the Law of Unfair Competition in the United States and Continental Europe* (Munich: Max Planck Institute, 1986) esp. at 121-28; W. Landes and R. Posner, "Trademark Law: An Economic Perspective" (1987) 30 J. of Law and Econ. 265; S. Carter, "The Trouble with Trademark" (1990) 99 Yale L. J. 759 at 761-63. Thus, although the trade marks legislation and the doctrine of passing-off may have a different focus than business names legislation, they rest on the same foundation.

products from its competitors and their products. Business names and trade marks⁵ facilitate the dissemination of information that helps distinguish firms and products, thereby making it easier for members of the public to identify the firms they want to deal with or the products they want to purchase.⁶

Imagine for a moment an economy with the same cornucopia of firms and products as our economy, but in which there were no legal restrictions on the business names or trade marks that firms can adopt. In particular, there were no restrictions against a firm adopting a business name or trade mark that is identical or confusingly similar to a business name or trade mark already adopted by another firm. In such a legal environment, business names and trade marks would lose much of their potential utility as means by which firms may identify themselves and their products to the public. As soon as a firm or a product developed a favourable reputation under a particular business name or trade mark, another firm could simply market itself or its product under the same name or mark. Not only would this make it more difficult than it need be for members of the public to distinguish between different firms and products, it would also reduce the incentive for firms to try to provide better products than their competitors.

The importance of business names and trade marks for disseminating information that distinguishes firms and products from each other, and the importance of such differentiation to the operation of a market economy, provides a rationale for preventing firms from adopting business names or trade marks that would tend to diminish the functionality of business names and trade marks. More specifically, it provides a rationale for laws that prevent firms from adopting business names or trade marks that would be likely to cause confusion because of their similarity to the business name or trade mark of another firm or product.

Laws designed to protect the functionality of business names and trade marks could take one or a combination of two basic enforcement approaches. The first approach, which we will call “**official screening**” requires a firm that wants to use a particular business name or trade mark to obtain advance approval of a government official before doing so. In deciding whether to approve a proposed name or mark, the official compares it to names that are already in use to ensure that the proposed name meets a defined standard of distinctiveness, as compared to names already in

⁵ Except for direct quotes from the *Trade-Marks Act*, we will use the spelling “trade mark”, rather than “trade-mark” as used in the Act. For present purposes, it suffices to think of a trade mark as a name or symbol that is intended to identify a product as coming from a particular source. A name might serve both as a trade mark for a firm’s products and as a business name for the firm itself.

⁶ The economic function of trade marks is discussed in much more detail by Kaufmann, Landes and Posner, and Carter, all *supra*, note 4.

use. Since official screening entails the comparison of proposed names or marks with those that are already in use, it also entails a system for keeping track of names or marks that are in use. The second approach to protecting the functionality of business names and trade marks is what we will call “**senior-user policing**”. This approach relies upon the self-interest of firms to protect themselves against the appropriation or dilution of the value of their business names or trade marks by other firms. The law gives the senior user of a business name or trade mark the right to take action against another firm that uses or proposes to use the same or a confusingly similar business name or trade mark without the senior user’s consent. The senior user’s remedies could include a right to recover damages and a right to obtain an injunction preventing the other firm from using the business name or trade mark.

2. The disclosure objective of business names legislation

Consumers and firms can generally make more efficient and effective decisions when it is easier and less costly to acquire information relevant to those decisions. There are many situations in which firms or consumers require information about a firm before deciding whether to deal with it or in order to seek redress after they have had unsatisfactory dealings with the firm. Requiring firms to disclose certain information about themselves in a public register or in certain documents can make it easier for the public to get information that may affect how or whether they deal with a particular firm. In economists’ terms, the disclosure requirement can promote economic efficiency by reducing “search costs”. Of course, an argument that a particular disclosure requirement will promote economic efficiency will rest on a shaky foundation if seems likely that (1) the cost of providing the information exceeds its value or (2) the information could be provided in a less costly manner. Both of these possibilities should be kept in mind when considering any proposed business name disclosure requirements.

It can also be argued that, as a matter of fairness, any firm that wants to carry on business ought to be prepared – and if necessary, required – to make basic information about itself available to the public. A firm cannot object to being required to disclose information that other firms or consumers might fairly require in order to decide whether to deal with that firm, or that may be necessary in order to pursue a claim for redress that a person may have against the firm. If the disclosure requirements are not unnecessarily onerous or intrusive, one might infer that a firm that objects to the requirements probably wishes to avoid disclosing something that, if disclosed, would give the public good reason not to deal with it.

3. A hybrid function

We have distinguished two objectives of business names legislation: (1) reducing confusion caused by similar names and (2) disclosure of information about business name users. The first

objective is pursued by placing restrictions on the business names that firms may adopt, while the second may be pursued by requiring firms to register certain information about themselves in a business names register. However, it should be noted that a requirement for all firms to register their business name can help address the problem of different firms having confusingly similar names quite apart from any express restrictions on the names that may be registered. Most firms that are choosing a business name want to adopt a distinctive name, not a name that potential customers are likely to confuse with the name of some other firm. A comprehensive register of business names that are currently in use will make it easier for firms to find a distinctive name by allowing them to compare their proposed name to names that appear on the register. Such a register can also help firms that are choosing a trade mark avoid potential conflicts with business names.

It is interesting to note that the responses to our business names survey suggest that many lawyers who search the existing business names register under the *Partnership Act* do so for the purpose of checking clients' proposed business names or trade marks for conflicts with existing business names. One of the questions on the survey asked respondents to indicate the purposes for which they had recently searched the register. Over 80% of the respondents indicated that they had searched the business names register in connection with business name (including corporate name) or trade mark selection. This exceeded the proportion of respondents who had searched the register for any other purpose.

B. Existing Business Names Legislation

1. Corporate names

(a) Alberta

We will here outline the restrictions on corporate names found in the *Alberta Business Corporations Act*. We will not describe the restrictions in detail or consider how the legislation has been interpreted by the courts. Our goal is to describe the legislation in enough detail to indicate the objectives at which the various restrictions relating to corporate names appear to be aimed. The objectives can be conveniently divided into three categories: (1) "name functionality" – protecting the functionality of corporate names as a means for distinguishing between different corporations; (2) administrative efficiency; (3) miscellaneous policy objectives. For the purposes of this project we are primarily interested in the first objective, but we will mention some provisions that appear to be aimed at objectives falling into the latter two categories.

(i) Protecting the functionality of corporate names

Earlier in this Part we gave a rationale for regulating business names that emphasizes business names' role in making it easier for the public to identify and distinguish between different firms. The *Business Corporations Act* contains a number of provisions that appear to be intended to serve this purpose. These provisions may be grouped into several subcategories: (1) provisions requiring a name to disclose whether the firm using it is a corporation or not; (2) provisions that require a name to be distinctive; and (3) provisions prohibiting misleading names.

- Name to disclose whether user is a corporation

A corporation has various legal characteristics, including the limited liability of its shareholders, that distinguish it from other types of business enterprises. It may be important for a person who is contemplating dealing with a firm to know whether the firm is a corporation or not. One way in which this might be accomplished is by making corporate names distinctive from assumed business names. To this end, the *Business Corporations Act* requires the last word of a corporate name to be "Limited", "Corporation" or "Incorporated" or the abbreviation for one of those words.⁷ Conversely, firms that are not corporations are prohibited from using any of these words as part of their business name.⁸

- Name to be distinctive

The main purpose of several provisions of the *Business Corporations Act* and regulations is to ensure that corporate names have a certain measure of distinctiveness. This matter of distinctiveness may be thought of as having two aspects: (1) inherent distinctiveness, and (2) relative distinctiveness. So far as inherent distinctiveness is concerned, corporate names are not held to an exceedingly high standard. But a corporate name must not be so generic or descriptive as to be inherently unsuited to the task of distinguishing one corporation from another. Thus, a corporate name must not be "too general" or "only descriptive" of the characteristics of the corporation's product or services, nor may it consist "primarily or only of a geographic name."⁹

⁷ *Business Corporations Act*, s. 10(1).

⁸ *Ibid*, s. 10(3).

⁹ *Business Corporations Regulation*, s. 7.1.

However, a corporation may adopt a name that would appear to offend one or more of these prohibitions if the name has in fact acquired a distinctive meaning through use.¹⁰

A proposed corporate name that is distinctive when viewed in isolation might not be the least bit distinctive when compared to business names that are already in use.¹¹ Therefore, the *Business Corporations Act* restricts corporate names on the basis of the similarity of the proposed name to other corporate names. The Act distinguishes between names that are **identical** to each other and names that are merely **similar** to each other. Subject to a very limited range of exceptions, a corporation is prohibited from adopting a name that is identical to the name of another corporation.¹² Where a proposed name is not identical but is similar to the name of another corporation, the proposed name is disallowed only if the use of the similar name would be “confusing or misleading”.¹³ The regulations elaborate on this by describing when a proposed name is considered to be confusing or misleading.¹⁴ It describes two independent criteria. Firstly, a proposed name is confusing or misleading if it suggests a relationship between the corporation that wants to use it and another corporation where no such relationship actually exists. Secondly a proposed corporate name is confusing or misleading with another corporation’s name if it could cause third persons to deal with the would-be junior user in the mistaken belief that they are dealing with the senior user.

The difference between “identical” and “confusingly similar” names is of considerable practical importance. The prohibition on identical names is almost absolute. A corporation cannot consent to the use of an identical name by another corporation and can consent to the use of a nearly identical name – such as name that differs only in the substitution of “Ltd” for “Inc” – only

¹⁰ *Ibid.* Suppose that the owners of a new corporation want to use the name “X”, but X is considered by the Registrar to be too general. The corporation might adopt some other name as its corporate name but carry on business as X. It may do so because in Alberta business names legislation does not attempt to regulate assumed business names, and corporations are permitted to carry on business under a name other than their corporate name. If the corporation’s business is successful and it builds up a reputation under the name X, it may eventually be able to change its corporate name to X under the “factual distinctiveness” exception.

¹¹ Like other modern corporations statutes, Alberta’s *Business Corporations Act* provides for the reservation of corporate names. In this paper we will treat a reserved name as being in use.

¹² *Business Corporations Act* s. 12(1)(b). To be more precise, the name cannot be identical to the name of (1) any body corporate incorporated under the laws of Alberta, **whether in existence or not**, (2) an extra-provincial corporation registered in Alberta or (3) a Canada corporation.

¹³ *Ibid.*, s. 12(1)(c).

¹⁴ *Business Corporations Regulation*, s. 6(3). Actually, the Regulation incorporates the likelihood of confusion in its definition of the term “similar”.

if it agrees to change its own name or to dissolve.¹⁵ The situation is quite different where the names are not identical but are confusingly similar. Here, the Act allows the senior user to consent to another corporation's use of a name that is confusingly similar to its own.¹⁶ In other words, a corporation can adopt a corporate name that is confusingly similar to another corporation's name if it obtains the latter's consent. If the senior user's consent is obtained, there is nothing in the Act or Regulation that allows the Registrar, in the public interest, to refuse to allow the concurrent use of the confusingly similar names by the senior and junior user.

Another important practical distinction between identical (or nearly identical) names and confusingly similar names does not reveal itself in the text of the *Business Corporations Act* or the regulations. It shows up in the practice of the Registrar's office in the approval of proposed corporate names. When a proposed corporate name is submitted for approval, the Registrar's office compares the proposed name against a data base of existing (including reserved) corporate names and will reject the proposed name if it is identical or virtually identical¹⁷ to one of the existing corporate names. But the Registrar's office does not on its own initiative reject a proposed corporate name because of similarity to an existing corporate name. The Registrar will consider whether a junior corporate name is confusingly similar to a senior corporate name only if the senior user requests the Registrar to do so. Such a request will probably be made after the junior name has been approved by the Registrar, since there is no requirement for senior users to be notified of proposed corporate names that may be similar to their own. Thus, the senior user will generally be requesting the Registrar to require the junior user to change its name.¹⁸

From the Registrar's perspective, and from the perspective of the cost of the name selection process, the advantage of this approach is that screening for identical names, or names that differ from each other only in a minor, easily identified detail, can be a highly automated process requiring little in the way of human judgment. Screening for confusingly similar names would

¹⁵ *Ibid*, s. 7.

¹⁶ *Ibid*, s. 6(1).

¹⁷ Examples of names that are virtually identical for this purpose are "ABC Ltd." and "ABC Inc." and any two names that differ from each other only in their punctuation: *ibid*, s. 7(1).

¹⁸ Section 12(1) of the *Business Corporations Act* says that the Registrar "may" require a corporation whose corporate name contravenes the prohibitions and restrictions to change its name, and section 12.1(2) allows "a person who feels aggrieved" by a name to request the Registrar to give such a direction. Section 239(1)(b) allows a person "who feels aggrieved by a decision of the Registrar . . . to approve, change or revoke a name or to refuse to approve, change or revoke a name" to apply to the Court for an order requiring the Registrar to change the decision.

necessarily be a more subjective, and, therefore, a slower, more labour-intensive and more costly process.

Most of the respondents to our business names survey believe that the procedure for approving corporate names under the *Business Corporations Act* strikes a reasonable balance between preventing confusingly similar corporate names and giving corporations reasonable flexibility in choosing their corporate names. 62% of the respondents think that the Act – and here we presume that they focusing on the Act and regulations as actually applied by the Registrar – strikes a reasonable balance between these two objectives. 24% expressed the view that it is too easy to adopt a corporate name that is confusingly similar to another corporate name; only 5% think that it is too hard to find a corporate name that does not offend the Act.¹⁹ We suspect that most of the 24% of respondents who think it is too easy to adopt a corporate name that is confusingly similar to another corporate name are concerned not so much with the substantive provisions of the Act and regulations as with the Registrar’s policy of not automatically screening for confusing similarity between proposed and existing names.

The *Business Corporations Act* does not pay any attention to possible conflicts between corporate names and assumed business names. The Registrar is not authorized to disapprove a proposed corporate name because of its similarity to an assumed business name, nor is the user of an assumed business name given any right to object to a corporate name because of its similarity to the business name. This was not always the case. When the *Business Corporations Act* was originally enacted in 1981, section 12(2) provided that the Registrar could disapprove a proposed corporate name if it was similar to, amongst other things, “the name of any association, partnership or firm known to the Registrar and the use of that name would be likely to confuse or mislead.” This provision was eliminated when the *Business Corporations Act* was amended in 1984.²⁰

- Preventing misleading names

In addition to the provisions restricting confusingly similar corporate names, there are a number of provisions in the regulations that seem to be designed to restrict corporate names that could be misleading for some reason other than their similarity to an existing corporate name. In particular, several provisions seem to be intended to prevent corporations from adopting names that imply that they have relationships with persons or institutions that they do not actually have

¹⁹ 9% of respondents checked the “unsure” box for this question.

²⁰ S.A. 1984, c. 12, s. 1.

or that they carry on a type of business that they are not actually able to carry on. Thus, a corporation cannot adopt the family name of an individual as an element of its corporate name without the individual's consent.²¹ Nor can a corporation use a name that suggests a relationship with or endorsement by a government, educational institution, professional association or similar entity without the relevant entity's consent.²² Similarly, a corporation cannot adopt a name that suggests that it carries on the business of a regulated financial institution without the consent of the relevant government authority.²³

(ii) Administrative efficiency

Many of the restrictions in the Business Corporations Regulation seem to be intended primarily to facilitate administrative efficiency. This includes the requirements that the corporate name be set out in block capitals, that the name not exceed 70 characters, that it contain only certain types of characters and so on.²⁴ Such technical requirements obviously have been created with the structural constraints of the corporate names data base in mind.

(iii) Miscellaneous policy objectives

Some of the restrictions on corporate names are related to miscellaneous public policy considerations. The best example of this is the prohibition of obscene words or expressions or words or expressions that connote "a business that is scandalous, obscene or immoral or that is otherwise objectionable on public grounds." We will make no further mention of such restrictions in this paper. We will focus on restrictions that appear to be aimed at preserving the functionality of corporate names by ensuring that they are relatively distinctive.

(iv) Corporations incorporated elsewhere

When a corporation incorporated or to be incorporated under Alberta legislation wants to adopt a particular name, that name is compared to the names of "extra-provincial corporations"²⁵ registered in Alberta and "Canada corporations"²⁶. For the purpose of determining whether a

²¹ *Business Corporations Regulation*, s. 7.2(1). Of course, this provision might also be designed to protect the privacy, or the commercial interests, of individuals.

²² *Ibid*, s. 7.71.

²³ *Ibid*, s. 7.71(1)(d).

²⁴ *Ibid*, ss 4, 7.5, 7.6.

²⁵ Essentially, a body corporate incorporated under the laws of a jurisdiction other than Alberta.

²⁶ A body corporate incorporated by or under an Act of the Parliament of Canada.

proposed name can be adopted as a corporate name, conflicts with the names of registered extra-provincial corporations and Canada corporations are determined and handled in exactly the same manner as conflicts with the names of corporations incorporated under Alberta law.²⁷ In other words, the name of a registered extra-provincial corporation or a Canada corporation enjoys essentially the same protection under the *Business Corporations Act* as the name of an Alberta corporation.

Extra-provincial corporations that want to carry on business in Alberta must register under section 266 of the *Business Corporations Act*. Section 269 provides that an extra-provincial corporation may not be registered under a name or carry on business under an assumed name that conflicts with the name of an Alberta corporation, an extra-provincial corporation registered in Alberta or a Canada corporation. If there is a conflict between the corporate name of the extra-provincial corporation that is seeking to register and an existing corporate name, section 270 allows the extra-provincial corporation, with the consent of the Registrar, to register under its own name but carry on business under an approved assumed name.

(v) Conflicts with registered trade marks

The *Business Corporations Act* (and regulations) make no mention of conflicts with registered trade marks in setting out the criteria for approval or rejection of proposed corporate names. Thus, the similarity of a proposed corporate name to a registered trade mark does not prevent it from being used as a corporate name so far as the Alberta *Business Corporations Act* is concerned.

(b) Other jurisdictions' corporate names policies

Corporations statutes in other Canadian jurisdictions take a similar approach to regulating corporate names as is taken by Alberta. There are many differences in the detailed requirements of these statutes with which, mercifully, we need not concern ourselves for the purposes of this paper. We will, however, point out an important difference between Alberta's approach and the approach of most other Canadian jurisdictions. This concerns conflicts between proposed corporate names and assumed business names. Most Canadian jurisdictions still take the approach that Alberta abandoned in 1984, in which proposed corporate names are screened for conflicts with assumed business names, as well as for conflicts with corporate names.²⁸

²⁷ *Business Corporations Act*, s. 12(1)(b), (c).

²⁸ E.g. *Canada Business Corporations Regulations*, ss 12, 13(b), 20; *Manitoba Corporations Act*, s. 12(2),(4); *Ontario Business Corporations Act*, s. 9(1)(b); *Saskatchewan Business Corporations Act*, s. 293(a).

It is interesting to compare the approach of Canadian legislation to confusingly similar (but non-identical) names with the approach taken by the US Model Business Corporations Act (1984)²⁹ and the UK *Companies Act 1985*. In the American Model Act, a proposed corporate name “must be distinguishable upon the records of the secretary of state” from other corporate names. In contrast to Canadian legislation, the Model Act does not attempt to restrict corporate names on the grounds that they could cause members of the public to confuse one corporation for another or to infer a non-existent relationship between two or more corporations.³⁰ Earlier editions of the Model Act took the same basic approach as the Canadian legislation, prohibiting corporate names that were identical to or “deceptively similar” to an existing corporate name.³¹ The Official Comment on the 1984 Model Act provides the following rationale for the revised approach:

The principal justifications for requiring a distinguishable name are (1) to prevent confusion within the secretary of state’s office and the tax office and (2) to permit accuracy in naming and serving corporate defendants in litigation. Thus, confusion in an absolute or linguistic sense is the appropriate test under the Model Act, not the competitive relationship between the corporations, which is the test for fraud or unfair competition.

The UK *Companies Act 1985* takes a similar approach to the 1984 Model Act. Section 26(1)(c) prevents a company from being registered with a name “which is the same as a name appearing in the registrar’s index of company names”. Section 26(3) identifies specific trivial differences that do not prevent two names from being regarded as the same, such as the presence or absence of the definite article, or differences in punctuation. The *Companies Act 1985* does not purport to prohibit a company name from adopting a name because it is confusingly similar to an existing company name. However, section 28(2) of the Act gives the Secretary of State a discretion, after a company has been registered under a particular name, to require the company to change its name if the name is “in the opinion of the Secretary of State too like a name

²⁹ Adopted by the Committee on Corporate Laws of the Section of Business Law of the American Bar Association.

³⁰ The Alberta Registrar’s approach to approving proposed corporate names bears a closer relationship to the wording of the US Model Act than it does to the wording of the Alberta legislation. As noted earlier, the Registrar’s office will only reject a proposed name on its own initiative if the proposed name is virtually identical to an existing or reserved name. The Registrar’s office will not on its own initiative reject a non-identical name because of similarity to an existing name. The Registrar’s practice is to consider the issue of similarity between corporate names only if it is raised by someone with an interest in the matter: most likely the senior user.

³¹ And many states still prohibit “deceptively similar” corporate names, rather than following the approach of the 1984 Model Act.

appearing at the time of registration” in the name index, or “which should have appeared in that index at that time”. This discretion must be exercised within 12 months of the company’s registration.³²

2. Assumed business names

(a) Alberta – disclosure only

Alberta legislation dealing with assumed business names makes no attempt to prevent different firms from using similar or even identical business names; it is concerned exclusively with disclosure. Most of the relevant provisions are found in the *Partnership Act*, but we will first mention one provision of the *Business Corporations Act*. Section 10(8) of the Act provides an example of what we will call a “direct disclosure” requirement:

A corporation shall set out its name in legible characters in or on all contracts, invoices, negotiable instruments, and orders for goods or services, issued or made by or on behalf of the corporation.

We refer to this as a direct disclosure requirement because it requires the corporation to disclose certain information directly to persons with whom it deals. Although section 10(8) applies to all corporations, it will obviously have a greater effect on corporations that operate under an assumed business names than corporations that operate under their corporate name.

Sections 81-90 of the *Partnership Act* take a different approach. Instead of requiring firms to disclose certain information directly to persons with whom they have dealings, the Act requires firms to register certain information in a business names register. The information is then available to any member of the public who cares to pay for a search of the register. The *Partnership Act* does not contain a direct disclosure requirement along the lines of section 10(8) of the *Business Corporations Act*. The following are key characteristics of the *Partnership Act*’s business name registration requirements.

³² Apparently, the UK Government did not originally intend to give the Secretary of State such a discretion. The discretion to require a company to change its name because it is “too like” a previously registered name was added in response to “vigorous representations from interested parties” that the legislation should allow something to be done about “unacceptable similarities” between company names: E Hew, “What’s in a Name” (1981) 2 *The Company Lawyer* 146 at 146.

1. The business name registration³³ requirements apply only to firms that carry on defined classes of business: “trading, manufacturing, contracting or mining”.³⁴
2. Every partnership carrying on one of the specified classes of business must register;³⁵ a person, including a corporation, carrying on such a business otherwise than in a partnership must register if it is using a business name “other than his own” or is using its own name with the addition of words that indicate that the firm has “a plurality of members”.³⁶
3. The information to be registered is the firm’s business name, the name, occupation and residence of the declarant or of each partner and, for a partnership, the length of time it has existed and is to exist.³⁷
4. Partnerships must file an amended declaration when there is a change in the business name or membership of the partnership or the place of residence of any member of the firm,³⁸ but there is no requirement for firms other than partnerships to file amending declarations when the registered information changes.³⁹

We will mention other characteristics of the *Partnership Act* when we discuss detailed issues in Part 2. The foregoing is enough to show that the Act’s registration requirements can best be described as minimalist.

(b) UK – direct disclosure only

The UK *Registration of Business Names Act 1916* took a similar approach to disclosure as is taken by the Alberta *Partnership Act*. The 1916 Act was repealed in 1981 and replaced by

³³ We will use the verb “register” although the Act expresses the requirement as being to “file a declaration in writing”.

³⁴ *Partnership Act*, ss 81 and 85(1)(a).

³⁵ *Ibid*, s. 81.

³⁶ *Ibid*, s. 85(1).

³⁷ *Ibid*, ss 83, 85(2).

³⁸ *Ibid*, s. 84(3).

³⁹ Of course, if a sole proprietor sold the business to another person who intended to continue using the same business name, the new owner would be required to comply with the registration requirement. But it would be a new registration, not an amendment of the original registration. This would also be true if the original owner decided to adopt a different business name; a new registration would be required.

disclosure requirements that are now found in the *Business Names Act 1985*. The singular feature of the new legislation is that it relies entirely on direct disclosure; firms that use assumed business names are no longer subject to a registration requirement and there is no business names register. However, the 1985 Act's direct disclosure requirements are more robust than those of section 10(8) of Alberta's *Business Corporations Act*. The requirements apply to any firm that uses an assumed business name and require disclosure of the name and address for service of each member of the firm.⁴⁰ While section 10(8) of the *Business Corporations Act* requires disclosure of the corporation's name only on certain types of documents, the UK Act requires the specified information to be displayed on a firm's business premises as well as in certain business documents.

It is interesting to note that in the mid-1980s a government commission in New South Wales proposed to abandon the state's business name registration regime in favour of an approach modelled on the UK direct disclosure approach.⁴¹ However, the proposed approach was opposed by the Law Society, which argued that the existing registration requirements served useful purposes that would not be served by the new scheme.⁴² Opposition to the proposal seems to have been effective, since New South Wales, like other Australian states, still has a business names registration system.

(c) Ontario – disclosure and limited name regulation

So far as the disclosure objective of business names legislation is concerned, the two most notable differences between Ontario's *Business Names Act* and our *Partnership Act* is that the former is not limited to particular types of businesses and it requires more information to be registered. But our main reason for mentioning the Ontario Act here is to draw attention to its approach to the regulation of business names. This approach could be described as limited name regulation.

The Ontario Act combines a registration requirement with some restrictions on the business names that may be registered. Since registration of a business name is a prerequisite to its lawful

⁴⁰ *Business Names Act 1985* s. 4(1). There is an exception for partnerships with more than 20 partners. Section 4(3) provides that for such partnerships, a document may omit the names and addresses of each partner if it sets out the address of the partnership's principal place of business and states that the list of partners may be inspected at that place.

⁴¹ "Business Names Register on the Way Out" (1986), 24:3 Law Society J. 62. The article refers to a discussion paper issued by the State's Corporate Affairs Commission. The article does not refer to the UK Act, but the proposal outlined in the article seems to have been based on the UK Act.

⁴² The Law Society's arguments are summarized in "Opposition to Business Names Deregulation" (1986), 24:4 Law Society J. 47.

use, the restrictions on the names that may be registered amount to restrictions on the names that may lawfully be used in Ontario. However, the restrictions are not particularly onerous.⁴³ One group of restrictions is aimed at administrative efficiency and efficient information storage and retrieval, consisting of restrictions on the types of characters and punctuation marks that may be used in a registered name.⁴⁴ Another restriction prohibits words or expressions that are contrary to public policy (e.g. “scandalous, obscene or immoral”), or that suggest that the firm is engaged in activities that are contrary to public policy.⁴⁵ The regulation also prohibits the use of names that would appear to be “corporate number names” or that suggest that the registrant is a form of organization that it is not.

The most notable characteristic of the name restrictions under Ontario’s *Business Names Act* is what they do not do. They make no effort to protect the functionality of names as a tool for distinguishing between different firms. There is no prohibition or restriction on the registration of a business name that is the same as or similar to a corporate name or registered business name. One obvious consequence of this is that, as in Alberta, the registration of a business name is of no direct benefit to the registrant; it gives the registrant no priority to the use of that name. On the other hand, this approach makes it easier to register a business name in the first place.

(d) Other provinces – disclosure and comprehensive name regulation

Although they are by no means uniform in other respects, the business names statutes of Saskatchewan,⁴⁶ Manitoba,⁴⁷ Quebec,⁴⁸ New Brunswick⁴⁹, Nova Scotia,⁵⁰ and Prince Edward Island,⁵¹ all contain restrictions designed to protect the utility of business names as a means of

⁴³ Most of the restrictions are set out in O.R. 122/91.

⁴⁴ *Business Names Act*, s. 4(3); O.R. 122/91 ss 1-3.

⁴⁵ O.R. 122/91 s. 4.

⁴⁶ *Business Names Registration Act*, s. 8(1).

⁴⁷ *Business Names Registration Act*, s. 12(1).

⁴⁸ *An Act Respecting the Legal Publicity of Sole Proprietorships, Partnerships and Legal Persons*, s. 13(7),(8).

⁴⁹ *Partnership and Business Names Registration Act*, s. 13(1).

⁵⁰ *Partnership and Business Names Registration Act*, s. 4(2).

⁵¹ *Partnership Act*, s. 50(3).

distinguishing different firms from each other.⁵² All of these provinces prohibit or restrict the registration of assumed business names that are identical or confusingly similar to the business names, including corporate names, of other firms.⁵³ Of course, since the statutes require firms to register assumed business names as a precondition to using them, the restrictions on registration amount to restrictions on the lawful use of such names.

(e) Newfoundland – no business names legislation

Newfoundland has been able to get along without any business names legislation dealing with assumed business names. In 1972 the Legislature did enact the *Partnership Registration Act, 1972*, which contained registration requirements and name restrictions along the lines of those found in the majority of Canadian provinces. However, the Act was repealed in 1990 without ever having been proclaimed.⁵⁴

C. Related Bodies of Law

One cannot properly assess the need for provincial legislative restrictions on business names without giving some thought to the roles of the common law doctrine of passing-off and federal trade marks legislation. Our aim in this section is to provide enough of an overview of these two bodies of law to illuminate the interface between them and our subject of provincial business names legislation.

1. The common law doctrine of passing-off

The doctrine of passing-off is a branch of the law of torts, and is concerned with protecting a firm's goodwill from damage or misappropriation through misrepresentations by another firm:

Passing-off is concerned with misrepresentations made by one trader which damage the goodwill of another. Misrepresentation, damage and goodwill are therefore the three essential elements of the tort. It is worth

⁵² This also appears to be true of the Uniform Business Names Act adopted by Australian states in the early 1960s: K. Fletcher, *The Law of Partnership in Australia and New Zealand*, 6th ed. (Sydney: The Law Book Company, 1991), at 338. The Australian Uniform Act, as described by Fletcher, is similar to the business names legislation of most Canadian provinces (but not Alberta) in that it is not just a disclosure statute but also regulates business names to some extent. In particular, the Commissioner is directed not to register business names that are likely to be confused with or mistaken for existing corporate names or registered business names: Fletcher at 347.

⁵³ British Columbia's *Partnership Act* takes an intermediate position. Section 89 prohibits the registration of a business names that is the same as or confusingly similar to an existing corporate name, but the prohibition does not extend to conflicts with other business names.

⁵⁴ S.N. 1990 c. 47, sch. No. 20. New Zealand also appears to have found it possible to get by without business names legislation: Fletcher, *supra* n. 52 at 338.

adding that liability for passing-off is not affected by the defendant's state of mind. There is no fourth element requiring the defendant to be fraudulent, malicious, or even negligent.⁵⁵

The doctrine of passing-off is really concerned not with misrepresentations generally but with misrepresentations that are likely to cause relevant members of the public to mistake the defendant or the defendant's product for the plaintiff or the plaintiff's product, or to infer the existence of a relationship between the plaintiff and the defendant or their products that does not in fact exist.⁵⁶

The doctrine of passing-off is not designed to protect business names as such. It protects business names only insofar as goodwill connected with a business name may be damaged by another firm's use of an identical or similar name. The doctrine is not based on the idea that the first firm to use a particular name thereby acquires some sort of property right in the name itself. Depending on the circumstances, a firm might be able to use a name that is already being used by another firm in the same jurisdiction without being guilty of passing-off. If the first firm to adopt a particular name has not in fact built up a reputation or goodwill in connection with that name, it will not be able to rely on the doctrine of passing-off to prevent another firm from using the same name. Indeed, even if a firm has built up considerable goodwill in connection with a name, it is possible that another firm could use the same name in a manner that will not cause confusion or otherwise damage the senior user's goodwill.⁵⁷ Similarly, the geographic ambit of the protection afforded to a business name by the passing-off doctrine is limited to the geographic ambit of the goodwill that has been built up in connection with that name. The fact that a firm has built up

⁵⁵ C. Wadlow, *The Law of Passing-Off*, 2nd ed. (London: Sweet & Maxwell, 1995) at 1-2.

⁵⁶ Suppose that Firms A and B sell competing products, both of which have established reputations. Firm A falsely represents that B's product has some defect or that A's own product has some specific benefit. This is a misrepresentation that may well harm B's market position and goodwill, and it may well be tortious, but the tort is not passing-off.

⁵⁷ This point is nicely illustrated by the different results in recent legal battles between Walt Disney Productions and the owners of West Edmonton Mall. As is well known hereabouts, West Edmonton Mall has an indoor amusement park and a hotel, both of which were called "Fantasyland". Disney brought proceedings to enjoin the mall owners from using that name for either the amusement park or the hotel. They obtained an injunction preventing the continued use of the name "Fantasyland" in connection with the amusement park but were not able to get an injunction enjoining its use in connection with the hotel. The amusement park case is *Walt Disney Productions v. Triple Five Corp.* (1994), 113 D.L.R. (4th) 229, [1994] 6 W.W.R. 385, (1994), 17 Alta. L.R. (3d) 225 (C.A.); leave to appeal to S.C.C. refused 114 D.L.R. (4th) vii (note), [1994] 7 W.W.R. lxix (note), 20 Alta. L.R. (3d) xxxix (note). The hotel case is *Walt Disney Productions v. Fantasyland Hotel Inc.* [1996] 6 W.W.R. 403, 38 Alta. L.R. (3d) 441 (C.A.).

substantial goodwill in Lethbridge in connection with a particular name does not entail that it has any goodwill in connection with that name in Grande Prairie. In short, the doctrine of passing-off is pragmatic. It protects a business name or trade mark only to the extent that a firm has built up goodwill in connection with the name or mark and only to the extent that the use of the same or a similar name by another firm is likely to damage the senior user's goodwill.

The doctrine of passing-off relies on what we referred to earlier as senior-user policing. If the senior user of a business name feels aggrieved by another firm's use or proposed use of the same or a similar name, the senior user can bring an action for passing-off. If the action is successful, damages may be awarded and the defendant may be enjoined from using the name, or at least from using it in a manner that is likely to cause confusion and damage the plaintiff's goodwill. However, unless a senior user takes action to protect its own interest, another firm is free to carry on business under a name that is the same as or confusingly similar to the senior firm's name.

2. Trade-Marks Act

The common law action for passing-off is a flexible remedy. One of its advantages is that it is available to any firm that has suffered, or is in imminent danger of suffering, damage through the misappropriation of its goodwill by another firm. A firm need not have complied with any formalities, such as registering a business name or trade mark, in order to bring an action for passing-off. All it must do is prove the facts necessary to establish a cause of action for passing-off. But herein also lies what could be viewed as one of the disadvantages of a passing-off action, the necessity to prove that the plaintiff has goodwill associated with a name or mark, and that this goodwill has been or is likely to be damaged as a result of confusion created by the defendant's activities. This is where the registration of a trade mark under the federal *Trade-Marks Act* can assist a firm. Assuming that the registration of a trade mark is valid, the registrant can maintain a statutory action for infringement of its trade mark without having to prove, or even allege, that it has built up goodwill in connection with the mark. Moreover, while the geographical scope of the protection afforded by a passing-off action is confined to the area in which the goodwill in fact exists, the rights afforded by registration of a trade mark automatically extend throughout Canada.

What is the constitutional status of the *Trade-Marks Act* or its various components? Since the Constitution Act makes no mention of "trade marks" or "intellectual property" (although it

does assign exclusive legislative authority over patents and copyright to Parliament),⁵⁸ the authority for the *Trade-Marks Act* must rest in Parliament's legislative authority to regulate trade and commerce, if it rests anywhere. The constitutionality of the *Trade-Marks Act* has been the subject of very little judicial scrutiny. It seems generally to be assumed that insofar as it deals with the registration of trade marks, and the legal consequences of registration, the *Trade-Marks Act* is a valid exercise of Parliament's authority to regulate trade and commerce.⁵⁹ Neither the *Trade-Marks Act* as a whole, nor any of its provisions, has ever been expressly upheld as a valid exercise of federal constitutional authority by a final court of appeal. A few commentators have questioned whether certain provisions of the Act, although they unquestionably deal with trade marks, can be grounded on the trade and commerce power.⁶⁰ Nevertheless, for the purposes of this paper we will adopt the conventional assumption that the provisions of the *Trade-Marks Act* dealing with the registration of trade marks and with the consequences of registration are safely grounded in the federal trade and commerce power.

Now for a couple of points of terminology. The *Trade-Marks Act* distinguishes between trade marks and trade names. Its definition of "trade-name" – the name under which any business is carried on, whether or not it is the name of a corporation, a partnership or an individual⁶¹ – corresponds closely to the meaning we have assigned to the term "business name". Thus, we will substitute the term "business name" where the *Trade-Marks Act* uses the term "trade-name".

The *Trade-Marks Act* defines the term "trade-mark" as

⁵⁸ *Constitution Act, 1867* s. 91 (22), (23).

⁵⁹ The constitutional credentials of the Act have received close judicial scrutiny only in the context of section 7, which prohibits a number of business practices that do not necessarily have anything to do with trade marks. Thus, a court can cheerfully strike down, say, section 7(e) of the Act, while assuming that the Act as a whole, is a legitimate federal scheme for regulating trade mark use under the trade and commerce power: *MacDonald v. Vapour Canada Ltd.* (1976), 66 D.L.R. (3d) 1 [1977] 2 S.C.R. 134

⁶⁰ H. Richard "Provincial Trade Marks" (1988) 5 C.I.P.R. 301 argues that while Parliament may have the general ability to legislate in relation to trade marks under the trade and commerce power, many specific provisions of the Act cannot be supported by that power, or can be so supported only if the provisions are read narrowly. Similarly, D. Bereskin, "Federal v. Provincial Trade mark and Trade Name Rights: Is the Tension at the Breaking Point" (1989) 6 C.I.P.R. 233 at 237-39 argues that certain provisions of the Act might have to be interpreted restrictively in order to pass constitutional muster. For a reply to Bereskin, see R. Gould, "Trade mark and Trade Name Rights: Is there an Equilibrium?" (1990) 7 C.I.P.R. 53 at 57-57. As pointed out by Gould, the Supreme Court of Canada's decision in *General Motors of Canada Ltd. v. City National Leasing* (1989) 58 D.L.R. (4th) 255, although concerned with a provision of the *Competition Act* rather the *Trade-Marks Act*, creates a significant obstacle for arguments along the lines of those advanced by Richard and Bereskin.

⁶¹ *Trade-Marks Act*, s. 1.

a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others.⁶²

The term “use” has a specific, fairly narrow, meaning under the Act. In the context of wares, a mark is considered to be used only if it is marked on the wares or their packaging or otherwise overtly associated with the wares at the time of sale.⁶³ So the fact that a firm advertises goods in connection with a particular name would not in itself establish “use”.⁶⁴ For services the definition of use is less stringent; it is satisfied if the mark is used or displayed in the performance or advertising of the services.⁶⁵

It is worth emphasizing that under the *Trade-Marks Act* there are two varieties of trade marks: marks used in association with goods and marks used in association with services.⁶⁶ One consequence of the extension of the concept of trade mark to names or marks used in association with services is to blur what was once a fairly clear distinction between business names and trade marks. It is difficult to think of a noun with a more elastic meaning than “services”. Many, if not most, firms can legitimately claim to be offering some sort of service to their customers under their business name. Therefore, a firm’s business name often will satisfy the *Trade-Marks Act*’s definition of a trade mark.

A firm that has used a trade mark in Canada in association with certain wares or services can apply to register the trade mark with respect to those wares or services.⁶⁷ Having received a properly documented application, the Registrar must advertise the application in the *Trade-Marks*

⁶² *Ibid.* We have actually set out paragraph (a) of the definition. Paragraphs (b) through (d) of the definition take in certification marks (e.g. “CSA approved”), distinguishing guises (e.g. the shape of a bottle), and (with shameless circularity) proposed trade marks.

⁶³ *Ibid.*, s. 4(1), which ties in to the definition of “use” in section 2.

⁶⁴ But under certain circumstances such advertising could constitute making a trade-mark known in Canada, which could ground an application for registration in Canada: *ibid.*, ss 5, 16.

⁶⁵ *Ibid.*, s. 4(2).

⁶⁶ The classic definition of a trade mark only comprehended marks used in association with wares, not marks used in association with services: see H. Fox *The Canadian Law of Trade Marks and Unfair Competition*, 3rd ed. (Toronto: Carswell, 1972) at 18.

⁶⁷ *Trade-Marks Act*, s. 16(1). This section also provides for registration of trade marks based on proposed use in Canada or that have been registered and used in association with wares or services in the applicant’s country of origin.

Journal unless the Registrar is satisfied that the trade mark is not registrable or is confusing with a trade mark that is the subject of a pending application.⁶⁸ Anyone who objects to the application for registration can file a statement of opposition within two months after the advertisement.⁶⁹ If no statement of opposition is filed, or if the grounds for opposition are rejected, the application for registration will be allowed and the trade mark will be registered.⁷⁰ A registration lasts for 15 years and is renewable for successive 15 year periods.⁷¹ Registration of a trade mark in respect of certain wares or services gives its owner, subject to certain exceptions, the exclusive right throughout Canada to the use of the trade mark in respect of those wares or services.⁷² This right is deemed to be infringed by someone who sells, distributes or advertises wares or services in association with a confusing trade mark or business name.⁷³ The owner of a registered trade mark is also protected against the use of that trade mark in a manner that is likely to have the effect of depreciating the value of the goodwill attached to the trade mark.⁷⁴

We are concerned mainly with the impact of the *Trade-Marks Act* on business names. This impact could be positive or negative, depending on the circumstances. As noted above, if a firm uses its business name as a trade mark, the firm may be entitled to register it under the Act and obtain the rights that come with registration. On the negative side, a firm may be prevented from using a business name in a manner that would infringe another firm's rights under a registered trade mark. The following paragraphs will explore in a little more detail the interface between business names and the registration and enforcement of trade marks. We will deal first with issues that will arise when a firm wants to register a trade mark.

Under the *Trade-Marks Act* it is crucial to distinguish between two issues that may arise regarding an application for registration of a trade mark. The first is whether the trade mark is

⁶⁸ *Ibid*, s. 37.

⁶⁹ *Ibid*, s. 38.

⁷⁰ *Ibid*, ss 39, 40. Although an application for registration of a trade mark can be based on **proposed** use in Canada, and the application can be allowed on that basis, the trade mark cannot be registered until the applicant provides a declaration that the trade mark is in fact being used in Canada in association with the relevant wares or services: s. 40(2). The application is deemed to be abandoned if the declaration is not received by the Registrar within 6 months after the applicant is given notice that the application has been allowed: s. 40(3).

⁷¹ *Ibid*, s. 46.

⁷² *Ibid*, s. 19.

⁷³ *Ibid*, s. 20.

⁷⁴ *Ibid*, s. 22.

registrable. So far as confusion with existing trade marks and business names is concerned, a trade mark is registrable unless it is confusing with a **registered** trade mark.⁷⁵ The registrability of a trade mark is not affected by the similarity of the mark, or even its exact match, to an unregistered trade mark or to a business name. However, the degree of similarity between the trade mark submitted for registration and another unregistered mark or a business name is relevant to the second issue, which is whether the applicant is the person who is legally entitled to register the trade mark (“entitlement”). A firm that wants to register a trade mark based on use in Canada is not entitled to do so if, at the time the firm first used the trade mark in Canada, the mark was confusing with (amongst other things) a business name that had previously been used in Canada by any other person.⁷⁶

The distinction between the two issues mentioned in the preceding paragraph is of considerable practical significance. One practical difference emerges in the process of registering a trade mark. The Registrar screens all applications for registration against the criteria of registrability, so the Registrar automatically looks for conflicts between the mark for which registration is sought and trade marks that have already been registered. If satisfied that the trade mark to be registered is confusingly similar to an already registered trade mark, the Registrar must reject the application for registration.⁷⁷ If the Registrar is not satisfied that the trade mark is unregistrable but has doubts about its registrability because of its similarity to an already registered trade mark, the Registrar must advertise the application but must also notify the owner of the registered trade mark.⁷⁸ In contrast, the Registrar’s office is not required or authorized on its own initiative to screen the trade mark for which registration is sought for conflicts with or business names or unregistered trade marks.⁷⁹ It is up to the senior user of a business name or unregistered trade mark to object to the registration of a confusing trade mark.⁸⁰ But since the senior user of the business name or unregistered trade mark will not be notified of the trade mark application, it is altogether possible that the senior user will not even learn of the application until long after the trade mark has been registered.

⁷⁵ *Ibid*, s. 12(1)(d).

⁷⁶ *Ibid*, s. 16(1)(c).

⁷⁷ *Ibid*, s. 37.

⁷⁸ *Ibid*, s. 37(3).

⁷⁹ *Ibid*, s. 37(1).

⁸⁰ *Ibid*, s. 17(1).

This leads to a second major practical distinction between the issues of (1) registrability and (2) entitlement. If an unregistrable trade mark does happen to get registered, the registration is simply invalid.⁸¹ The invalidity of the trade mark can be raised by anyone at any time: for example, by the defendant in an infringement action commenced many years after registration. In contrast, if a registrable trade mark is registered by a person who was not actually entitled to do so, the registration is invalid but the validity can be challenged only by certain persons and at certain times. The validity of the registration can be challenged only by a person whose use of a confusingly similar unregistered trade mark or business name is the reason why the person who registered the trade mark was not entitled to do so.⁸² Moreover, the senior user can challenge the validity of the registration only in proceedings commenced within five years after registration or if it can be established that the registrant adopted the trade mark with knowledge of the prior use.⁸³

It is worth emphasizing how registration of a business name under provincial legislation does or does not affect the process of registering trade marks under the *Trade-Marks Act*. For the purpose of determining whether Firm X is entitled to register a trade mark that is confusing with Firm Y's business name, it makes no legal difference whether or not Y has registered its business name under provincial business names legislation. Section 16(1)(c) of the Act says, in effect, that X is not entitled to registration of the trade mark if, on the date that X first used the trade mark or made it known in Canada, it was confusing with a business name that was already being used by someone else in Canada. It makes no difference whether or not the business name had been registered under relevant provincial legislation. On the other hand, registration of Y's business name could have certain practical effects. For instance, it might furnish evidence that Y had indeed used its business name before X adopted the trade mark. Indeed, to go back a step, X might not even adopt a trade mark in the first place if by searching a provincial business names register it learns that the proposed trade mark appears to be confusing with an existing business name.

We will now consider how the rights that the *Trade-Marks Act* confers on the owner of a registered trade mark affect a firm that uses a business name that is confusingly similar to the trade mark. As mentioned earlier, section 19 of the *Trade-Marks Act* gives the registrant certain exclusive rights to the trade mark **throughout Canada**, and section 20 deems certain activities to

⁸¹ *Ibid.*, s. 18(1)(a).

⁸² *Ibid.*, s. 17(1).

⁸³ *Ibid.*, s. 17(2).

infringe those rights. The strength of the trade mark registrant's position relative to that of the user of the conflicting business name can be illustrated using the following hypothetical facts.⁸⁴

Helen started using the name "Heavenly Roasts" as a business name and trade mark for a restaurant in Halifax in 1975. Troy began using "Heavenly Hosts" as a business name and trade mark for a restaurant in Calgary in 1976, at which time he had not heard of Helen or her business. By 1989 both Helen and Troy had built up substantial goodwill in relation to their respective names in their own local markets, but were hardly known elsewhere.⁸⁵ In 1989 Helen applied for and obtained registration of the trade mark "Heavenly Roasts" for restaurant services, and started expanding the geographical scope of her business. In 1996 she wants to open a restaurant in Calgary, which is when she first learns of Troy and his use of "Heavenly Hosts" as a business name and trade mark. Troy has never attempted to register "Heavenly Hosts" as a trade mark.

Assume that the registration of "Heavenly Roasts" is valid and assume also that the use of the two names in the same market is likely to cause confusion amongst the public.

If Helen had not registered her trade mark, Troy would have a cause of action for passing-off against Helen if she attempted to open a restaurant in Calgary under the name "Heavenly Roasts", just as Helen would have had a cause of action against Troy if he tried to move into Halifax. But the *Trade-Marks Act* runs roughshod over Troy's common law rights and puts him in an awkward position. Because Helen used "Heavenly Roasts" in Halifax before Troy used "Heavenly Hosts" in Calgary, she would have been entitled to register her trade mark in 1989 even if Troy had found out about the application and opposed it.⁸⁶ As the owner of a valid registered trade mark for "Heavenly Roasts", Helen now has the "exclusive right to the use throughout Canada of the trade mark in respect of" restaurant services.⁸⁷ This means that Helen can now operate a restaurant under the name "Heavenly Roasts" in Calgary, even though it is confusing with the name of a long-established local business. Furthermore, to add insult to Troy's injury, Helen may be able to get an injunction preventing Troy from using "Heavenly Hosts" as a trade mark or business name for his restaurant in Calgary (or anywhere else in Canada).⁸⁸

⁸⁴ Bereskin, *supra*, note 60, employs a similar but more detailed hypothetical scenarios to investigate nuances and issues that are ignored here.

⁸⁵ We will assume that at no material time was anyone other than Helen or Troy was using a name that is confusingly similar to their respective business names and trade marks.

⁸⁶ *Trade-Marks Act*, s. 16(1).

⁸⁷ *Ibid*, s. 19.

⁸⁸ This a situation in which Bereskin, *supra*, note 60, argues that the reach of the *Trade-Marks Act* may exceed its constitutional grasp.

According to section 20 of the *Trade-Marks Act*, by identifying his restaurant as “Heavenly Hosts”, Troy is deemed to infringe Helen’s exclusive rights in her trade mark. If Helen brought an action for infringement, the only provision of the *Trade-Marks Act* that might help Troy is section 21, which is far from being a paragon of clarity.⁸⁹ In essence, section 21 gives the Federal Court a discretion to allow a firm that has been using a trade mark or trade name that is confusingly similar to a registered trade mark to continue to use the confusing mark or name concurrently with the use of the registered trade mark in a defined area and with an adequate specified distinction from the registered trade mark. Two conditions must be satisfied before the Court will have a discretion to grant such a dispensation. Firstly, the firm seeking relief must have been using the confusing mark or name in good faith before the other firm’s application⁹⁰ for registration of the trade mark was filed. Secondly, the registered trade mark must be “entitled to the protection of subsection 17(2)”, which is the provision that prevents the validity of a registration from being challenged more than 5 years after the date of registration on the grounds of prior use of a confusing (unregistered) trade mark or business name. On our hypothetical facts, these two conditions appear to be satisfied, so Troy could ask a court to allow it to continue to use “Heavenly Hosts” in Calgary, with an “adequate specified distinction” from Helen’s registered trade mark.⁹¹ If, however, we had changed the facts slightly, and Helen had initiated an infringement action against Troy less than 5 years after registration of her trade mark, the court would appear to have no discretion to grant relief to Troy under section 21.⁹²

⁸⁹ Bereskin, *ibid*, at p. 245 aptly observes, “There has been little judicial interpretation of s. 21, and anyone who has forced themselves to really study s. 21 will readily appreciate why. It is not easy to make any sense of it.”

⁹⁰ The section refers to use of the confusing mark or name “before the date of filing of the application”. There is some authority for the proposition that, notwithstanding the reference to the date of application, relief is only available to a firm that used the confusingly similar mark or name before the owner of the registered trade mark started to use its trade mark: Bereskin *ibid*, at 245-46. In other words, on this authority, section 21 is to be read as if the words “before the date of filing of the application” were “before the owner of the registered trade mark first used the trade mark in Canada”. But there is also authority for the literal (and in this case less restrictive) reading of the phrase “before the date of filing of the application”: Fox, *supra*, note 66 at 431; *Kayser-Roth v. Fascination Lingerie* (1971) 3 C.P.R. (2d) 27 at 34-35.

⁹¹ This assumes that the protection of section 21 is available to a junior user who uses a confusing mark before the date of the application for registration of the registered mark: see the discussion in the preceding footnote.

⁹² Suppose that we had altered the facts of the hypothetical scenario so that it was Troy, rather than Helen, who had registered his trade mark in 1989, and it was Troy who was now entering the Halifax market under the protection of his registered trade mark. Again, the registered trade mark owner would be in a strong position. As the senior user of the conflicting marks, Helen could have opposed Troy’s application or attacked it in proceedings commenced within 5 years of registration. Not having done so, the best she can hope for is a dispensation from the court under section 21.

We will briefly summarize the main points to be kept in mind regarding the impact of the doctrine of passing-off and the *Trade-Marks Act* on business names. Firstly, a firm that has built up goodwill in connection with its business name can protect itself against the misappropriation of that goodwill through an action for passing-off. The geographical ambit of the protection afforded by a passing-off action is more or less coextensive with the geographical ambit of the reputation that the firm has built up in connection with its business name. Secondly, although business names are not registerable as such under the *Trade-Marks Act*, many business names will satisfy the definition of a trade mark and can be registered as such. Thirdly, a firm is not entitled to register a trade mark that is confusing with a business name that was used in Canada by another firm before the would-be registrant first used its trade mark or made it known in Canada. However, the validity of a trade mark registration can only be attacked on this grounds in proceedings commenced within 5 years after the trade mark was registered. Finally, the owner of a validly registered trade mark has the exclusive right to the use of the trade mark throughout Canada. This right may be infringed by a firm that sells, distributes or advertises wares or services in association with a confusing trade mark or business name.

PART 2 — ISSUES AND OPTIONS

This Part is divided into three main sections. Section A considers issues relating to the regulation of business names, including the fundamental issue of whether provincial legislation should attempt to regulate business names at all. Section B is concerned with the disclosure function of business names legislation. Section C is concerned with a number of additional issues, including application of the legislation, compliance and transitional considerations.

There is, however, a fundamental issue that we will raise here because it straddles the boundary between issues relating to regulation of business names and issues relating to disclosure. The issue is whether Alberta should continue to have a business names register, in which firms that use assumed business names are required to register the name and certain information about the firm itself. Consideration of issues relating to the design of such a register is deferred until Section B.

Issue 1

Should Alberta continue to maintain a business names register in which firms that use assumed business names are required to register their name and certain information about themselves?

Option 1 There is no business names register. The provisions of the *Partnership Act* that currently require registration of certain assumed business names are simply repealed.

Option 2 There is a business names register.

That it is possible to get by without a business names register is illustrated by the UK experience. The UK abolished its business names registration system in the early 1980s and apparently did not suffer any dire consequences. Dispensing with a register of assumed business names would dispense with the costs of operating and maintaining it, but it would also dispense with the potential benefits of such a system. A register of fictitious names can potentially serve at least three functions. Firstly, it can provide a centralized data base of assumed business names that are in use in the jurisdiction. This data base can be consulted by firms that are choosing a business name or trade mark in order to avoid potential conflicts between their proposed name or mark and a business name that is already in use. Secondly, a system for registering assumed business names might be an integral component of a scheme for regulating such names. In particular, a register of assumed business names would seem to be vital for any system that relies on official screening to prevent firms from adopting business names that would be confusingly similar to an assumed business name that is already in use. Thirdly, a business names register can provide a means for the public to get information about firms that use such names. Someone who argues that Alberta does not need a business names register has presumably concluded that a business names register does not actually serve any of the foregoing functions, or that the functions are not worth the cost of a business names registration system, or that the functions can be performed more efficiently by other means.

Before leaving this issue we should refer to the possibility of “combining” a business names register with a register of corporate names. In our view, there is no real policy issue here. If there is going to be a business names register (which contains assumed business names) and a register of corporate names, it seems to make eminent sense that a person should be able to do a single business names search that will reveal both corporate names and assumed business names that meet the search criteria. Whether the different types of names are contained in a single data base or two data bases is immaterial, so long as a single search will reveal both types of names (if that is what the searcher wants).

A. Regulation of Business Names

1. Is Provincial Legislative Intervention Desirable?

Business names and trade marks would lose much of their functionality if firms were free to adopt business names that are identical or confusingly similar to other firms' business names or trade marks. This provides a rationale for restrictions that are designed to protect this functionality. But it does not necessarily provide a compelling rationale for provincial legislative restrictions on business names, since other bodies of law, namely the doctrine of passing-off and the federal *Trade-Marks Act*, may take care of the problem. In this section we will explore the issue of whether or not any useful function that might otherwise have been served by provincial legislative restrictions on business names is already well served by these other bodies of law.

(a) The public interest

(i) Preventing marketplace confusion

Do the passing-off doctrine and federal trade marks legislation make provincial legislative restrictions on business names redundant, so far as those restrictions are designed to avoid confusion in the marketplace? We will first set out an argument that they are redundant, then we will give a reply to that argument. We will conclude the exchange with a brief rejoinder.

Provincial legislative restrictions on business names are redundant.

Provincial legislation restricting business names is unnecessary and undesirable because any purpose it might serve is already well served by the common law doctrine of passing-off and federal trade mark legislation. Provincial legislative restrictions on business names would make it costlier for firms to select a business name without adding any significant protection to the functionality of business names.

First consider the case where a firm has used a business name for a period of time and has built up considerable goodwill in connection with that name but has not registered a trade mark based on that name. If another firm starts to use a similar business name in a manner that creates a significant risk that members of the public will confuse the junior user or its products with the senior user or its products, the senior user will be able to maintain an action for passing-off. Since the passing-off doctrine is intended to protect the goodwill associated with a business name, rather than the business name as such, the senior user must do more than show some abstract or hypothetical risk of confusion between the two names. It must show that it has built up goodwill in connection with its name and that the junior user's use of an identical or similar name has

caused or is likely to cause actual damage⁹³ to that goodwill. To prove actual or potential damage it will be necessary to establish that relevant members of the public (generally, potential customers) have been or are likely to be confused because of the manner in which the junior user is using the name. If a senior user cannot establish that it has built up goodwill in connection with its name and that the junior user's use of a similar name is likely to cause significant confusion, the public is unlikely to be harmed by the concurrent use of the similar names. In other words, if the facts do not support a passing-off action, then what the junior user is doing probably is not doing any significant harm to the senior user or the public.

Not only do business names receive protection through the doctrine of passing-off, they can also be protected through the mechanisms of the *Trade-Marks Act*. Although the Act does not provide for the registration of business names as such, it recognizes and allows the registration of trade marks for "services". Given the Act's extension of the concept of a trade mark to services, almost any business name that is worth protecting can be protected as a trade mark. Therefore, a firm that desires more protection for its business name than is afforded by the doctrine of passing-off can apply to register the business name, or its distinctive element, as a trade mark under the *Trade-Marks Act*. If the application for registration is successful, the firm will have the exclusive right to the use of the registered trade mark throughout Canada. This exclusive right would be infringed by another firm that sells, distributes or advertises wares or services in connection with a confusing business name or trade mark.⁹⁴ The exclusive rights granted by the *Trade-Marks Act* afford the registrant very substantial protection for its business name (as a trade mark). Given the protection offered to business names by the passing-off doctrine and the federal *Trade-Marks Act*, it is difficult to see any gap that needs to be legislation.

The common law and Trade-Marks Act do not adequately protect the public interest.

The doctrine of passing-off and the federal *Trade-Marks Act* might adequately protect private interests but do not adequately protect the public interest in avoiding confusion between different firms. Both bodies of law rely on senior-user policing rather than official screening to prevent the use of confusing business names or trade marks.⁹⁵ It is left to the firm that feels that its

⁹³ Proving that damage has occurred will allow the senior user to recover damages. Proving that damage is likely to occur in the future will allow the senior user to get an injunction.

⁹⁴ *Trade-Marks Act*, s. 20.

⁹⁵ Under the *Trade-Marks Act* official screening is part of the process of **registering** a trade mark but nothing forces anyone to register a trade mark. You can use a trade mark indefinitely without registering it if you are
(continued...)

goodwill is being damaged or that its registered trade mark is being infringed to bring an action against the wrongdoer. Neither body of law gives government officials the authority to screen prospective business names before they are used and to prevent firms from adopting a business name that may confuse or mislead members of the public. Situations could well arise where the use of similar names by different firms confuses members of the public, yet neither firm is willing and able to bring an action to prevent the other from using the confusing name. Moreover, even if one of the firms does eventually bring an action and obtain an injunction against the other, many members of the public may have been misled in the meantime. As one commentator puts it:

The reason for the elaborate [provincial legislative restrictions on business names] is not to create a property interest in the name itself . . . ; that is left to provincial property and tort laws and to the federal *Trade-Marks Act*. Rather, it is to prevent the public from being misled. If there were no such [restrictions], the matter of confusion would be left for subsequent specific resolution by the person whose proprietary interest were affected by the use of the new name. In the meantime, the general public may have been misled as to the person with whom they have been dealing.⁹⁶

It is only through a process of official screening of business names before they are used that the public can be properly protected from the problem of different firms using confusingly similar names.

The same general point can be put in a slightly different way. Admittedly, official screening of business names before they may be registered or used will entail costs. However, the costs of official screening should be weighed against the public and private cost of litigation that will be devoted to sorting out conflicts between business names that might have been avoided in the first place through official screening of business names before use:

. . . the present registration requirements do not settle civil disputes but avoid them, because names that are likely to be confused with or mistaken for registered or reserved company names are not registered. This lessens

⁹⁵ (...continued)
prepared to forego the benefits of registration.

⁹⁶ Braid, *supra*, note 4 at 141-42.

the number of actions necessary under the torts of passing off and deceit, the *Trademarks Act* and the *Trade Practices Act*.⁹⁷

This point was made in response to the argument that “[t]he registration requirements provide a de facto means of settling what are essentially civil disputes at considerable expense to the public.”⁹⁸

Enforcement of private rights does provide cost-effective protection of the public

A possible rejoinder to the preceding argument is that reliance on senior-user policing rather than official screening is a virtue, rather than a drawback, of the passing-off doctrine and the *Trade-Marks Act*. It is a virtue, firstly, because it saves the considerable administrative expense of establishing and operating a system that relies on official screening of business names. A system of official-screening that genuinely attempts to weed out confusing business names before they are used would be very labour intensive and expensive, and this expense must be borne by the public purse or the firms seeking approval of business names. In this regard, it is noteworthy that although Alberta’s *Business Corporations Act* purports to restrict corporate names that are confusingly similar to other corporate names, the Registrar’s office only screens for names that are virtually identical to existing corporate names. The Registrar’s practice testifies to the costliness of a system in which there is intensive official pre-screening of business names to ensure that they are not confusingly similar to existing names.

Moreover, it can be argued that senior-user policing is an efficient and effective means of preserving the functionality of business names and trade marks because senior users are likely to actively protect their name or mark in precisely those circumstances where significant public confusion is likely to result from the use of similar names. The more notorious the business name or trade mark, the more likely that its improper use will cause real confusion amongst the public. And the more notorious the name or mark, the greater its value and the more likely the senior user is to take action to prevent its unauthorized use. Thus, senior users will be likely to actively enforce their rights in a business name or trade mark in precisely those situations where its unauthorized use is most likely to cause confusion amongst the public.

⁹⁷ Response of the Law Society of New South Wales to proposal to abolish business names registration, as summarized in “Opposition to Business Names Deregulation”, *supra*, note 42 at 47.

⁹⁸ *Ibid.*

(ii) Avoiding confusion on the register

The preceding arguments focus on the problem of confusion in the marketplace. But we must also consider the need to avoid confusion on the register of business names. Since somewhat different considerations apply to corporate names and assumed business names, we will consider them separately, beginning with corporate names.

It is essential that every corporation that is incorporated or registered in a particular jurisdiction have a unique identifier: a name, code or whatever that unambiguously identifies it on the register. Unique identifiers are necessary for such practical purposes as ensuring that corporate information in annual returns, notices of directors and so forth gets attached to the record of the corporation to which it actually relates. Unique identifiers are also necessary so that members of the public who search the corporations register for information about a particular corporation can be assured that the information they get relates to the corporation in which they are interested. In short, unique corporate identifiers are necessary because they make the task of collecting, organizing and disseminating information about corporations a heck of a lot easier than it would be if corporations could be registered without unique identifiers.⁹⁹

To conclude that every corporation registered in the corporations register must have a unique identifier is not to conclude that every corporation must necessarily have a unique corporate name. Every corporation could be assigned a unique registration number and then allowed to adopt any name it wishes as its corporate name, whether it is the same as another corporation's name or not.¹⁰⁰ However, there are practical reasons for requiring corporations to have unique corporate names, even if in theory they could be uniquely identified by their corporate registration code. For example, having two unique identifiers – the corporate access number and the corporate name – provides a reassuring redundancy in dealings with the corporations register. If corporations were uniquely identified only by their corporate registration number, one could easily imagine chaotic situations arising simply because of a mistaken transposition of a couple of numerals in a corporate registration number. Such errors can be caught much more easily if each corporation has two unique identifiers. Thus, the goal of avoiding

⁹⁹ When we speak here of “necessary” we mean “necessary for practical purposes”. You can have a registration system without unique identifiers: the old General Register under the *Land Titles Act*, and registration of security interests by debtor name under the *Personal Property Security Act* are examples of systems that do not require unique identifiers. These systems could also be used to illustrate the practical disadvantage of a registration system that does not require unique identifiers.

¹⁰⁰ Corporations already do have a unique “corporate access number”. In the case of “numbered companies”, the corporate access number serves as the distinctive element of the corporate number name.

confusion on the register will best be served by a requirement that corporate names serve as unique identifiers.

It is easier to avoid confusion on the register than in the marketplace. In the marketplace, confusion is likely to be a product of subjective considerations, and members of the public are more likely to notice similarities between names than subtle differences. But when it comes to confusion on the register, users will be sensitive to fairly subtle differences in corporate names. For one thing, access to corporate information will generally be through computers, which can be programmed to recognize subtle differences in corporate names. Even where human users are concerned, a person who is accessing the corporate information system can be expected to be more attuned to subtle differences between corporate names than would a person who encounters similar corporate names in the everyday hubbub of the market. Thus, the goal of preventing corporations from being confused with each other on the corporations register can be achieved by more subtle differences between names than can be relied upon to prevent confusion in the market.

The goal of avoiding confusion on the register can be achieved through less rigorous restrictions on corporate names than are found in the Alberta *Business Corporations Act* (and regulations). This is recognized by the Registrar's practice of only screening proposed corporate for conflicts with identical names, rather than screening for confusingly similar names. As noted earlier, the Registrar's administrative policy seems to reflect the approach of the US Model Business Corporations Act and the UK *Companies Act 1985*. Their restrictions are aimed not at preventing confusion in the market but at ensuring that corporations are distinguishable on the register. Thus, they do not prevent corporations from having confusingly similar names; they prevent them from having the same or virtually the same name.¹⁰¹

Most of the preceding discussion applies to assumed business names as well, assuming that there is a registration system for assumed business names. A business names register will serve its disclosure function more efficiently if firms must register unique business names. It will be easier to link information in the register with a particular firm if each registered name uniquely identifies precisely one firm.

However, there are situations where commonplace and generally accepted business practices would be impossible if each firm was required to have a unique business name. Consider

¹⁰¹ It will be recalled, however, that the UK statute does give the Secretary of State a discretion to require a company to change its name after it is registered if the Secretary is of the opinion that the company's name is "too like" another company's registered name.

the case of franchise operations. Many of the most well known business names are the trade marks of large corporations who license the use of the trade mark to each member of a network of franchisees. Suppose that the Ecstasy Eatery Corporation owns the famous trade mark “Ecstasy Eatery”, and has granted franchises to operate Ecstasy Eateries at different locations in Alberta to twenty different firms. In order to take maximum advantage of the reputation of the trade mark “Ecstasy Eatery” all the franchisees need to operate under exactly that name. They will not want to identify themselves to the public under such artificially distinguishable names as “Ecstasy Eatery (Medicine Hat)”, “Ecstasy Eatery (Calgary No. 1)”, “Ecstasy Eatery (Calgary No. 2)” and so on. But if every firm must register the exact business name under which it operates and different firms cannot register identical business names, it would seem that each Ecstasy Eatery franchisee would have to carry on business under a slightly different name. One possible approach would be to require firms that want to carry on business under the same business name to register under distinguishable business names, while allowing them to operate under the same name. So in our example, different franchisees could all carry on business as Ecstasy Eatery, but they would have to add a distinguishing element (such as a location) to the name as registered.¹⁰²

(b) Protecting firms’ names

Although we have been referring to provincial legislative **restrictions** on business names, the restrictions could be viewed as provincial legislative **protection** for business names. That is, the system of registering business names could be consciously designed to provide firms with a means of protecting their business names that supplements the protection afforded by the law of passing-off and the federal *Trade-Marks Act*. Such provincial legislative protection for business names could fill a gap between the protection provided by the law of passing-off and the protection obtained by going to the trouble and expenses of registering a trade mark.

The common law doctrine of passing-off and the *Trade-Marks Act* are both of more use to well established firms than to firms that are just starting out. So far as passing-off is concerned, it only protects firms with an established reputation in the area where the activities that are complained of occur. This may be fine for a huge entertainment company with a worldwide reputation and no shortage of funds, which can use the doctrine of passing-off to stop a company in Edmonton from giving its amusement park the same name as one part of the entertainment company’s amusement park in Anaheim. But it will be less useful to a small firm in Red Deer that hopes to prevent another firm from adopting its name in Calgary before the Red Deer firm has had a chance to extend its reputation to Calgary. The passing-off doctrine does not provide

¹⁰² Such an arrangement is described by T. Guilbert, “Corporate names and Assumed Business Names: ‘Deceptively Similar’ Creates a Likelihood of Confusion” (1983), 62 Oregon L.R. 151 at 184, note 135.

preemptive protection for a firm's name; a firm cannot maintain an action for passing-off for activities in an area to which it may plan to expand its activities, but where it has not yet established a reputation. Moreover, even if a firm does have grounds for a passing-off action, the cost of vindicating its rights through a lawsuit could be prohibitive.

Provincial legislation could address the foregoing drawbacks of the passing-off action by giving the first firm to register a business name a certain degree of protection for that name across the province. Admittedly, in many cases a firm could protect its business name by registering it as a trade mark under the *Trade-Marks Act*. However, a firm's business name will not always be registrable as a trade mark. Moreover, even if a firm's business name is registrable as a trade mark, the cost of doing so may be prohibitive to a small firm. Although the cost of registering a trade mark may seem trifling to a large, well-established firm, a small, newly-established firm may have more pressing uses for its time and funds than spending months or years and hundreds or thousands of dollars in a trade mark registration process that might ultimately be unsuccessful.

A reply to the foregoing argument might begin by acknowledging that registering a business name in Alberta is currently a cheaper and more expeditious procedure than is registering a trade mark under the *Trade-Marks Act*. One pays a small fee, fills out a form with the name, submits it and the name is registered. But it is precisely because the *Partnership Act* contains no restrictions on the names that may be registered, and does not purport to grant any rights to the person registering a name, that the registration procedure under that Act is so cheap and expeditious. Since the register's only function is to record the business names in use and a little bit of information about the firms using those names, the Act need provide no checks or safeguards on the names that get registered.

A scheme for protecting business names on a "first to register" basis would be similar to the type of protection given to trade marks by the *Trade-Marks Act*. There is no inherent reason why a province could not pass such legislation if it wanted to do so.¹⁰³ On the other hand, it would seem to be wrong in principle for provincial legislation to confer any sort of exclusive rights to business names on a first-to-register basis unless the procedure for registering business names has similar safeguards to those found in the *Trade-Marks Act*. But if the process for registering a business name contained similar safeguards to those found in the process for registering a trade mark, the costs would also be similar. No one is required to register a trade mark before using it, so trade mark users can decide for themselves whether or not to incur the expense of going

¹⁰³ In the United States most of the States have their own trade marks legislation for local marks, notwithstanding that there is a federal trade mark statute.

through the registration process. In contrast, under the proposed legislative scheme for protecting business names through registration, all firms would be required to register their business names before using them. Firms would have no choice but to incur the expense of the registration process. In short, it may be that a provincial legislative scheme for protecting business names through registration would be more likely to dramatically increase firms' cost of choosing business names than to provide a low-cost alternative to trade mark registration.

Another problem with a provincial scheme to protect business names through compulsory registration combined with rules that assign priority on a "first to register" basis is that this could create messy conflicts between the provincial legislative restrictions and the rights granted by the *Trade-Marks Act*. This is particularly so in light of the fact that the *Trade-Marks Act* allows for the registration of what are essentially business names as trade marks for services. This leads to the possibility that provincial restrictions on business names will sometimes purport to prevent a firm from using as a business name a trade mark that the *Trade-Marks Act* purports to give the firm the exclusive right to use throughout Canada. Assuming that the relevant provisions of the *Trade-Marks Act* are constitutional, the provincial restrictions would seemingly have to give way to the exclusive rights granted by the federal Act. While this is not a conclusive argument against a provincial scheme of business name protection, it certainly should be considered in any cost-benefit analysis of such a scheme.

To conclude this general discussion of the possible costs and benefits of provincial legislative regulation of business names, we should mention the views of the respondents to our business names survey. One of the survey questions asked whether respondents agreed or disagreed that provincial legislation should (a) prevent firms from adopting assumed business names¹⁰⁴ that are confusingly similar to previously registered assumed business names; (b) prevent firms from adopting assumed names that are confusingly similar to existing corporate names; or (c) prevent corporations from adopting corporate names that are confusingly similar to previously registered assumed business names. A substantial majority of the respondents expressed support for restrictions on both corporate names and assumed business names to control the problem of confusing business names. The response to each element of the survey question is summarized in the following table.

¹⁰⁴ The survey actually used the term "trade name".

Propositions: Provincial legislation should –	Percentage¹⁰⁵ of respondents who –		
	Agree	Disagree	Are unsure
prevent conflicts between assumed business names	78%	15%	7%
restrict assumed names that conflict with corporate name	87%	10%	4%
restrict corporate names that conflict with assumed business name	68%	22%	11%

Despite the substantial support for provincial legislative restrictions on business names expressed by the survey respondents, we are not yet convinced that it would be wise for provincial legislation to impose such restrictions.

We are concerned that the legislative test of what constitutes confusing similarity between business names either would be too rigid or would be so flexible as to amount to little more than a statutory expression of the principles of passing-off. If the test of confusing similarity were too rigid, the legislation could often prevent firms from using business names because of a theoretical possibility, rather than a real risk, of confusion. For example, a firm might be prevented from using a business name in Grande Prairie because of a theoretical risk of confusion with a business name registered by a firm in Lethbridge, although there is little likelihood of real confusion. In order to avoid excessive rigidity, the legislative test of confusing similarity would have to be sensitive to the context in which different firms use similar names. But the more context-sensitive the legislative test, the more it will resemble the pragmatic common law test of passing-off. And the more the legislative test resembles the common law test, the more difficult it is to see what the legislation achieves that is not already achieved by the common law. That, at least, is our concern. We look forward to receiving submissions from readers who will demonstrate the benefits of provincial legislative restrictions on confusingly similar business names.

2. Specific Issues

In this section we set out a number of specific issues regarding provincial regulation of business names. Most of the issues are relevant both to corporate names and to assumed business names, although the appropriate approach to any given issue will not necessarily be the same for corporate names and assumed business names. For example, we expect that some readers will think that provincial legislation should regulate corporate names but not assumed business names.

¹⁰⁵ Percentages may not add up to exactly 100 because of rounding.

We should note at the outset that we are assuming that provincial legislation will regulate business names at least to the extent of prohibiting different corporations from having identical corporate names. That is, we will assume that provincial legislation will contain restrictions on corporate names that are intended to ensure that corporate names serve as unique identifiers. As noted earlier, it is not in theory necessary that corporate names serve as unique identifiers: the corporate access number could serve this purpose. However, there are practical reasons for also requiring corporate names to serve as unique identifiers.

Issue 2

Should provincial legislation impose restrictions on assumed business names, or should the only restrictions on assumed business names be those that are implicit in the common law of passing-off and the federal *Trade-Marks Act*?

Option 1 Provincial legislation places certain restrictions on the assumed business names that firms may use in Alberta.

Option 2 There are no provincial legislative restrictions on assumed business names.

It should be kept in mind that although we refer to restrictions on assumed business names, such restrictions one of the functions of the restrictions could be to protect senior users of assumed business names from firms that might otherwise adopt confusingly similar names. Option 1 could be pursued by official-screening, senior user policing, or a combination of the two. Option 2 represents the current approach in Alberta, Ontario and many US states.¹⁰⁶ This approach leaves it to individual firms enforcing their rights under the common law of passing-off or the *Trade-Marks Act* to control the problems that can arise from the use of confusingly similar business names by different firms. Most other provinces, some US states, and all Australian states follow some variation Option 1. It is worth pointing out that Option 2 is consistent with a requirement for firms to register their business names; as illustrated by the *Partnership Act*, a system of registering assumed business names does not necessarily entail legislative restrictions on the assumed business names that can be registered or used.

¹⁰⁶ Ontario's legislation does have controls on assumed business names but these controls are not aimed at the problem of confusing business names.

If Option 2 were adopted, many of the issues that follow would be academic insofar as they relate to restrictions on assumed business names.

Issue 3

Should provincial legislative restrictions on business names be aimed only at preventing confusion on the register by preventing the registration of identical or nearly identical names? Or should they also aim to prevent confusion in the marketplace by imposing restrictions on the use of confusingly similar names? Should corporate and assumed business names be treated differently in this regard?

- Option 1 Restrictions are aimed only at preventing confusion on the register by ensuring that different business names are distinguishable from each other on the register. Fairly subtle differences between names will suffice to distinguish them for this purpose.
- Option 2 Restrictions are also aimed at preventing confusion in the marketplace because of confusing similarities between firm names. For this purpose, subtle differences between names whose dominant elements are the same may not prevent them from being confused in the marketplace.

The difference between Options 1 and 2 can be illustrated using two names that we used in an earlier example: “Heavenly Hosts” and “Heavenly Roasts”, used as names for restaurants. These names are obviously not identical, and would be readily distinguishable on the register. Therefore, if the only purpose of the restrictions was to prevent confusion on the register, the two names could be used by different firms. However, if the names were used by different restaurants in the same locality, their similarity in sound and connotation might cause confusion in the marketplace. Thus, legislation that aimed to prevent marketplace confusion might prevent one of these names from being adopted if the other name is already in use. Whether it actually did so or not would depend on how serious the legislators were about preventing confusion in the marketplace because of similarities between business names.

Restrictions on corporate names in most Canadian corporations statutes are concerned with preventing both confusion on the register and confusion in the marketplace. This is also true of the restrictions on assumed business names in those provinces that restrict such names at all. In Alberta, however, the Registrar’ screening process is aimed only at making sure that corporate

names are distinguishable on the register. The Registrar does not automatically screen for similar names that might cause confusion in the marketplace. The restrictions in the US Model Business Corporations Act (and the actual acts of some states), and the UK *Companies Act 1985* are concerned almost exclusively with preventing confusion on the register, leaving the problem of confusion in the marketplace to other bodies of law.

Issue 4

Should all business names – corporate and assumed – be considered together in determining whether there is a conflict, or should corporate names be compared only with corporate names and assumed business names only with other assumed business names?

- Option 1 No distinction is drawn between different types of business names when determining whether there is a conflict; a proposed assumed business name may be denied registration because of a conflict with an existing corporate name, and vice versa.
- Option 2 Proposed corporate names are compared only to existing corporate names and proposed assumed business names are compared only to existing assumed business names.

This issue assumes that there will be legislative restrictions on assumed business names with the aim of preventing confusion in the marketplace. If there are such restrictions, it seems more logical for all types of business names to be compared against each other than to take a compartmentalized approach to comparing business names. Given the objective of preventing confusion in the marketplace, it does not matter whether the names that are likely to be confused are two corporate names, two assumed business names or one of each. Confusion is confusion.

Issue 5

Assuming that any necessary senior-user consent is obtained, should two or more firms be able to register and use identical assumed business names where, for example, the firms are franchisees?

- Option 1 Different firms may neither register nor use an identical assumed business name; every registered business names must be a unique identifier and a firm must use its business name exactly as registered.

Option 2 Different firms may use an identical assumed business name, but their registered business names must be distinguishable from each other.¹⁰⁷

Option 3 Two or more firms may both register and use identical assumed business names.

We are assuming that corporate names must be distinguishable from each other. Should the same requirement apply to assumed business names? Whether or not different firms are permitted to register or use identical assumed business names depends on how important it is considered to be for assumed business names to serve as unique identifiers in the business names register and in the marketplace.

Issue 6

Assuming that there are provincial legislative restrictions on confusing business names, should potential conflicts with registered trade marks be considered in determining whether a firm may adopt a particular corporate name or assumed business name?

Option 1 Proposed business names are automatically screened by the Registrar for conflicts with registered trade marks and will be rejected where there is a conflict with a registered trade mark.

Option 2 Potential conflicts with registered trade marks are not automatically considered by the Registrar, but the legislation provides that a firm may be required to change its business name if it is determined to be in conflict with a registered trade mark.

Option 3 The legislation does not deal with conflicts between business names and registered trade marks, leaving this to be dealt with under other bodies of law.

The Alberta *Business Corporations Act* does not make conflict with a trade mark (registered or unregistered) a ground for rejecting a proposed corporate name or requiring a corporation to change its name. Manitoba takes the same approach of ignoring trade marks, as do the UK *Companies Act 1985* and the US Model Business Corporations Act. Some Canadian jurisdictions take the opposite approach in their corporations legislation. For example, section 293(a) of the Saskatchewan *Business Corporations Act* provides that a corporate name cannot be

¹⁰⁷ To draw on an example that we used earlier, the several franchisees of Ecstasy Eatery Inc. would have to register under distinguishable business names, such as Ecstasy Eatery (No. 1), Ecstasy Eatery (No. 2), etc. but all the franchisees could carry on business under the name Ecstasy Eatery, without the distinguishing element.

the same as or similar to a registered trade mark without the trade mark owner's consent, if the use of the name would be likely to confuse or mislead.¹⁰⁸ Interestingly enough, this is one of the few areas where the Saskatchewan *Business Names Registration Act* does not follow the corporations statute. The business names statute does not make similarity with a registered trade mark a ground for disapproving a business name that is submitted for registration.

With respect to Option 3, it is doubtful whether "other bodies of law" would deal satisfactorily with this matter. No provision of the *Trade-Marks Act* gives a court the power to grant an injunction requiring a corporation to change its corporate name because of a conflict with a trade mark. An injunction might be granted preventing the corporation from using its corporate name in a manner that constitutes infringement of a registered trade mark, but merely adopting a corporate name that is similar or even identical to a trade mark would not seem to constitute infringement of the trade mark.¹⁰⁹ Similar limitations might apply to the action of passing-off. A firm with established goodwill may be able to get an injunction preventing another firm from using the latter's name in a manner that would cause confusion and damage the latter's goodwill; but it would be a stretch for the doctrine of passing-off to be used to require a corporation to change its corporate name.¹¹⁰

Issue 7

Assume that (a) two firms have similar business names the concurrent use of which in the same area is likely to cause confusion in the marketplace, (b) neither firm has rights under a registered trade mark, and (c) there is a requirement to register business names before using them in Alberta. How should priority to the similar business names be determined? Should corporate names and assumed business names be treated differently?

¹⁰⁸ See also the *Canada Business Corporations Regulations*, ss 13(a), 20. Section 20 prohibits "confusing" corporate names and section 13(a) specifies when a corporate name is confusing with a trade mark (registered or unregistered). Section 3 and 9 of the regulations under Ontario's *Business Corporations Act* – R.R.O. 1990, Regulation 62– appear to contemplate that proposed corporate name may be disallowed because of conflicts with trade marks. However, there appears to be nothing in the Ontario Act or Regulation that specifically states that a proposed corporate name may be rejected because it is confusing with a trade mark.

¹⁰⁹ Braid, *supra*, note 4 at 150-51 suggests that the owner of a registered trade mark might in an infringement action obtain a mandatory injunction requiring a corporation to change its corporate name, but does not refer to a specific provision of the *Trade-Marks Act* that would support such an injunction.

¹¹⁰ Cf. J. Watts and P. Walsh, "Company Names" (1996) 6 E.I.P.R. 336, who suggest possible means of attacking a company's name at common law where the name has been adopted for an improper purposes.

- Option 1** The order of registration determines priority. The firm that registered its name first has priority, and the other firm cannot register or use the confusingly similar name, regardless of who actually used its name first or who has built up a stronger reputation in connection with its name.
- Option 2** The first firm to register its name has priority unless the other firm establishes a higher right to the use of its name at common law.
- Option 3** The order of registration has no bearing on the issue of which firm has priority to the use of the name. The issue is determined by reference to the common law, with the result that in certain circumstance both firms may be able to use their respective names in the same area, notwithstanding the marketplace confusion that may result.

This particular issue has many facets, and there is an endless variety of approaches that could be taken to the problem. The question is one of how much weight, if any, should be given to the order of registration of confusingly similar business names when it appears that their concurrent use in the province will cause confusion in the marketplace.

In theory, a situation in which two Alberta-based firms are actually using confusing business names could not arise if business names must be registered before use and the Registrar automatically screens names for confusing similarity. But in practice such situations could easily arise even in the face of a fairly rigorous screening process for proposed business names. In addition, a firm based outside of Alberta may want to begin operating in Alberta under its own business name and find that an Alberta firm has already registered a confusingly similar name. And if the Registrar does not automatically screen proposed names to try to prevent confusingly similar names from being registered and used, it is likely that the contemplated situation will arise quite frequently.

Readers might wish to consider how the different options would operate in the following hypothetical scenario. Suppose that two firms that carry on similar businesses have registered similar business names. One started out serving the Medicine Hat area and the other started out at the opposite end of the province in Peace River. At first there was no risk of actual marketplace confusion because they were serving different areas of the province. However, both firms have started to expand their operations into central Alberta and are now competing directly with each other. There is considerable evidence of customer confusion in the central Alberta market, but it does not favour one firm over the other because they are both newcomers without established

reputations. Neither firm is happy with the situation but neither wants to change its business name so as to avoid the confusion.

In a situation like this the first two options would produce the same result; the impasse would be resolved in favour of the firm that had registered its name first. The first firm to register would have priority under Option 2 because neither firm can assert a higher right at common law to use the conflicting names in central Alberta, so priority would be determined on the basis of the order of registration. Under Option 3, since the common law does not give either firm a higher right to use its name in central Alberta than the other, they could both continue to use their name, notwithstanding the confusion. The difference between Option 1 and Option 2 would become apparent if the firm that had registered its name first tried to expand into the other firms's home area. Under Option 2 the firm that is on its home turf and has substantial goodwill would have the better right at common law to use the name in that area, so the order of registration would not be determinative. Under Option 1, however, the firm that had registered its name first would prevail even on the other firm's home turf.

It is worth noting that assigning priority to the use of a business name solely on a "first to register" basis would give registration even more importance than it has under the federal *Trade-Marks Act*. Registration of a trade mark gives the registrant certain rights, but a firm's entitlement to register a trade mark is based on its use of the trade mark. There are dangers involved in allowing firms to acquire priority to the use of a business name merely by registering it.

Issue 8

Assume that there is a business names register and that the order of registration determines priority to a business name in case of conflict. Should priority necessarily be determined on a province-wide basis, or should there be provision for limiting the effect of a registration to a particular geographical area of the province?

- Option 1 All business name registrations have province-wide effect, and priority with respect to the use of confusingly similar names is always determined on a province-wide basis, regardless of whether or not the relevant firms are actually carrying on business in the same part of the province.
- Option 2 Registration of an assumed business name applies only to the area of the province where a firm intends to carry on business under that name within a defined period of

time (say, six months) after the registration. The priority obtained through registration is limited to the area to which the registration applies.

Option 2 is but an example of a geographic limitation on the priority afforded by registration of an assumed business name. There are several ways in which the effect of assumed business name registrations might be limited to a particular region of the province. What they all have in common is that they would all add complexity to any scheme for assigning priority to business names on the basis of the order of registration. On the other hand, we suspect that giving the first person to register an assumed business name the right to prevent anyone from using a confusingly similar business name anywhere in the province would eventually make it very difficult for anyone to find a business name that did not conflict with a previously registered name, unless the test of confusing similarity was very weak.

Issue 9

Assuming that business names legislation contains restrictions on confusingly similar names, how should these restrictions be policed? Should corporate and assumed business names be treated differently?

- Option 1 The Registrar automatically compares each proposed business name that is submitted for registration with registered business names to determine whether the former is confusingly similar to any of the latter, and rejects it if it is.
- Option 2 The Registrar does not automatically consider whether a proposed name is confusingly similar to previously registered names, but will do so if a senior registrant so requests. At this point the Registrar may reject the name or, if it has already been registered, require the junior user to change its business name.
- Option 3 It is not the Registrar's function, upon request or otherwise, to consider whether one business name is confusingly similar to another business name. However, the legislation permits a firm that believes that another firm has adopted a name that is confusingly similar to its own to apply to the Court of Queen's Bench for an order requiring the latter firm to change its name.

Should restrictions on confusingly similar business names be enforced by official screening or by senior-user policing? Of course, this issue only arises if the business names legislation purports to regulate confusingly similar names in the first place. Option 2 is a reasonable approximation of the Alberta Registrar's current approach to screening corporate names. The

advantages of this approach over Option 1 lie primarily in the speed and cost of processing an application for approval of a name. While screening for identical names can be a highly automated process that requires little in the way of human judgment, screening for confusingly similar names is a much more labour-intensive, time-consuming and costly undertaking. On the other hand, one might argue that Option 1 is a more systematic approach to protecting the public from the problem of confusingly similar business names.

Options 2 and 3 are similar to each other, in the sense that under either approach it would be up to a senior user to object to a junior name. The difference between the two options is in whether it is the Registrar or the Court who is asked to decide, at least in the first instance, whether or not the names are confusingly similar. Requiring the Registrar to determine the issue in the first instance might be more expeditious and less costly. On the other hand, it could be argued that the Court is a more appropriate forum for dealing with the factual and legal issues that must be considered in determining whether or not two names are confusingly similar and, if they are, which firm has the superior right to the use of the name.

Issue 10

If objections to a business name are determined in the first instance by the Registrar, on what grounds, if any, should the Court be able to review the merits of the Registrar's decision?

Option 1 The Registrar's decision is not subject to review on the merits.¹¹¹

Option 2 The Court may reverse the Registrar's decision if it is unreasonable on the facts or if the Registrar has made an error of law.

Option 3 The appeal is a new hearing of the matter; the Court reaches its own conclusions on the issues without regard to the conclusions reached by the Registrar.

Obviously, the three options do not exhaust the possible standards for judicial review of the Registrar's decision. However, they do suggest three different approaches which give different degrees of deference to the Registrar's decision: (1) the Registrar's decision is final; (2) the Registrar's decision will only be set aside if it is clearly wrong on the facts or because the Registrar has misinterpreted the law; and (3) the Registrar's decision has no weight at all. The second approach – or some variation of the second approach – strikes us as being more

¹¹¹ We assume that a decision could always be attacked if the procedure by which it was reached is tainted.

appropriate than either of the others. Given the complexity of the legal and factual issues that could arise, it seems reasonable to allow for judicial review of the Registrar's decision on the merits. On the other hand, if no deference at all is to be given to the Registrar's decision, why ask the Registrar to make the decision in the first instance? Why not just go directly to the Court for a decision in the first instance, as contemplated by Option 3 of Issue 8?

Issue 11

Assume that the user of a senior name consents to another firm's concurrent use of a junior name that is similar but not identical to the senior name. Should the two firms be entitled to use the similar names concurrently, regardless of whether this will create confusion in the marketplace, or should the legislation prohibit or restrict the concurrent use of confusingly similar names even where the senior user consents to such use? Should corporate names and assumed business names be treated differently in this context?

- Option 1 All the junior user need do is obtain the senior user's consent to the use of the junior name, even if the concurrent use of the senior and junior names may cause confusion in the marketplace.
- Option 2 The legislation prohibits or restricts the concurrent use of confusingly similar business names by different firms, notwithstanding the senior user's consent, or allows the Registrar to prohibit or restrict such use.

This issue highlights the tension between the public interest aspect of business names restrictions and the commercial interests of firms. Under the *Alberta Business Corporations Act* a corporation can give its consent to the use of a confusingly similar name, and when such consent is given the Registrar appears to have no discretion to refuse to allow the two corporations to use similar names concurrently. Other jurisdictions take an approach along the lines of Option 2, which has many possible variations. In Saskatchewan, for example, where a proposed business name is confusingly similar to another business name, the name cannot be registered without the senior user's consent. But even if the senior user consents, the Registrar can require the senior user to dissolve, cease carrying on business, or change its name as a condition of letting the newcomer use the confusingly similar name.¹¹² The approach of the *Canada Business Corporations Regulations* is even more restrictive. Even with the senior user's consent, a junior

¹¹² *Business Corporations Act*, s. 293(a); *Business Names Registration Act*, s. 8(1)(a).

user can adopt a confusingly similar corporate name only if the senior user has not been carrying on business for two years and undertakes to dissolve or change its name.¹¹³

One's view on this issue will reflect one's view of the purpose of restrictions on the concurrent use of similar business names. If one views the purpose of the restrictions as being to allow the senior user of a name to protect and profit from its investment in the name, then one would probably place great weight on the senior user's consent. One would probably conclude that the user of a senior name should have a right to consent to the use of a junior name while continuing to use the senior name, regardless of whether this is likely to cause confusion in the marketplace. But if one's view is that the ultimate purpose of the restrictions is to protect the public from confusion, one may conclude that the user of a senior name should not have an unqualified right to consent another firm's concurrent use of a confusingly similar name. One might conclude that the Registrar should prevent the concurrent use of names whose similarity is likely to cause confusion in the market place, even if the senior user consents to such use.

A person who accepts that the ultimate purpose of restrictions on similar business names is to protect the public from confusion might still conclude that a senior user should be able to consent to the concurrent use of a junior name, and that the Registrar should not be able to second-guess such consent. A senior user has a direct interest in ensuring that the concurrent use of a junior name by another firm does not confuse the public and thereby diminish the distinctiveness and value of the senior user's business name or tarnish the senior user's reputation. If anything, a senior user is more likely to conclude that the use of a similar name by another firm will cause confusion than is the Registrar. Therefore, so the argument might go, the public interest in preventing confusion between similar business names does not require that the Registrar be authorized to prevent the concurrent use of similar names where the senior user consents to such use.

B. Disclosure

We begin this section with a reminder that disclosure is an independent objective of business names legislation. One might conclude that there is no need for provincial legislative restrictions on business names, yet conclude that there is a need for legislation requiring firms that use business names to disclose certain information about themselves to the public.

There are practical limits on how thoroughly provincial business names legislation can achieve its disclosure objectives. More and more commerce – including selling to consumers – is

¹¹³ CBCR, s. 25.

done remotely through telecommunication and computer networks. In many cases, firms can use the phone, the television or the Internet to market products to Alberta consumers from a physical location that puts them well beyond the effective reach of any Alberta legislation, including business name registration requirements. But much useful legislation would never be enacted if it were considered to be a decisive argument against its enactment that many persons to whom legislators might wish the legislation to apply are beyond its effective reach. A more relevant question seems to be whether there are enough persons who are within the effective reach of the legislation for it to serve a useful purpose. Notwithstanding the increasing popularity (and publicity) of telemarketing, home shopping networks, Internet marketing and so on, it seems safe to say that Alberta consumers and firms will continue to purchase most of their goods and services from firms that have a sufficient presence in Alberta to be within the effective reach of Alberta legislation, including business name registration legislation.

1. The General Approach

We think that it can be taken as a given that a firm should not be able to use an assumed business name as a cloak behind which it can hide its true identity, or the identity of its owners, from the public. Thus, we assume that any firm that uses an assumed business name should be required to disclose certain information about itself to the public, or at least to members of the public with whom it may have dealings. What is more problematic is the appropriate method, context and content of disclosure. In this section we will briefly consider the advantages and disadvantages of three different disclosure methods: (1) disclosure through registration; (2) disclosure on demand; and (3) continuous direct disclosure.

(a) Disclosure through registration

In a system of disclosure by registration firms are required to register certain information about themselves in a public register. Members of the public who know the business name of a firm will be able to obtain more information about the firm by searching the register. One advantage of such a system is that modern computer technology ensures that the register can store a lot of information about each firm, and the information can be readily accessed by anyone who is entitled to get it. A well designed and implemented register of business names can also provide firms who are choosing a business name or trade mark with an efficient mechanism for checking their proposed name or mark for potential conflicts with business names that are already in use. In this context, the person searching the register is more interested in the names themselves than in the firms using the names. As mentioned earlier, the responses to our business names survey suggests that this may be the purpose for which Alberta lawyers most frequently search the business names register under the *Partnership Act*. This particular function is not served by direct

disclosure requirements, which are designed to provide information about a particular firm, not to provide a centralized data base of business names.

But if a business names register is so useful, why did the UK abolish its business names register in the early 1980s? Although the government denied it, many interested parties were convinced that the government's primary reason for abandoning the business names register was to relieve itself of the cost of maintaining it.¹¹⁴ Whatever the UK government's true motives were, any government that is considering what to do with an existing business names registration system – to abolish, maintain or upgrade it – ought to consider the costs and benefits of the registration system and its alternatives. Perhaps business names registration is not cost-effective compared to other means of pursuing disclosure objective. Certainly, neither of the alternative approaches described below requires the expensive infrastructure of a registration system. On the other hand, neither of the alternative approaches would provide a means for firms to check their proposed business names or trade marks for conflicts with existing business names.

It must be recognized that any legislation that requires individuals or firms to provide information that is recorded in a public register raises concerns about privacy. So far as corporations are concerned, the requirement to provide a substantial amount of information about the structure, ownership and management of the corporation can be regarded as part of the price to be paid for the advantages of incorporation. But business names legislation applies as well to many firms that consist of a single individual or partnerships of individuals. These individuals have not been granted any particular advantage, such as limited liability, for which the registration requirement could be regarded as a *quid pro quo*. They obtain no direct benefit in return for disclosing information in a publicly accessible database system. However, without denying the importance of privacy considerations, it may be argued that such considerations can be addressed in the design of the business names registration system and, in particular, the rules regarding the information that individuals must provide to the register and the information that searchers may retrieve from the register.

(b) Disclosure on demand

If the objective of disclosure is that members of the public be able to get basic information about any firm operating under a business name, could this not be accomplished in a less intrusive and costly way than through a registration system? Why not just require any firm that is carrying on business under a business name to disclose certain information about the ownership of the firm to anyone who demands it. Such a requirement would save the expense of a registration system

¹¹⁴ Hew, *supra*, note 32 at 146.

while ensuring that anyone who needs the relevant information can get it. And such an approach would spare firms from having to clutter up their business documents and premises with the disclosures required by the continuous direct disclosure approach describe below.

A disclosure-on-demand system would have its own drawbacks. Suppose that legislation required every firm to disclose the name and address of its owner(s) upon receiving a demand from a member of the public. Situations could often arise where one of the difficulties faced by a consumer who has a complaint about firm “X” is that X’s telephone has been disconnected, its business address is unknown to the consumer, and the consumer has no idea who X’s owner is or was. In such a situation, consumers might be forgiven for being less than ecstatic upon being told that all they need to do to get the name and address of X’s owner is to demand it.

(c) Continuous direct disclosure

As already noted, the UK has replaced its business names registration system with a system of continuous direct disclosure under which firms are required to disclose certain information in various types of documents and on their business premises. As compared to a system of disclosure-on-demand, continuous direct disclosure has the advantage that persons dealing with a firm would automatically get the relevant information when they get a document such as a contract, letter or invoice from the firm. The continuous direct disclosure system has a similar advantage when compared to the registration system. Persons dealing with the firm will automatically receive information about the firm in its documents; they will not have to incur the trouble and expense of getting the information from a business names register.

One of the disadvantages of continuous direct disclosure as the primary method of providing information about firms that use business names is that there is a limited amount of information that can conveniently be provided in an invoice or similar business document. Thus, it can be argued that continuous direct disclosure should complement rather than replace a registration system. This seems to be the view of the majority of the respondents to our business names survey. The survey asked participants to indicate their preference as between four possible approaches to legislated disclosure requirements: (1) no legislation; (2) direct disclosure only; (3) registration only; or (4) both direct disclosure and registration. Three respondents, or 1% of the total, favoured no legislated disclosure requirements at all. Only 4% of respondents favoured direct disclosure without a registration requirement, while 22% preferred a registration requirement without direct disclosure. Some 66% of the respondents favoured a combination of registration and direct disclosure. The remaining 7% indicated that they are not sure what the most appropriate approach to disclosure is. It is noteworthy that nearly nine out of every ten respondents favoured a registration requirement, either alone or in combination with direct

disclosure, while seven out of ten supported direct disclosure, at least as a complement to registration.

Issue 12

How, if at all, should business names legislation pursue the disclosure objective.

- Option 1 There is no legislated requirement for a firm that uses an assumed business name to provide information about the firm to the public.
- Option 2 Firms using assumed business names are required to provide specified information to anyone who demands that information (“disclosure-on-demand”)
- Option 3 Firms that use assumed business names are required to provide specified information in various types of documents and, perhaps, on their business premises (“continuous direct disclosure”).
- Option 4 Firms that use assumed business names must register specified information in a publicly accessible register.
- Option 5 Firms that use assumed business names are subject to registration requirements and direct disclosure requirements.

2. Disclosure through Registration

The issues in this section assume that there will continue to be a business names registration system. The issues consider the design and implementation of such a system.

Issue 13

What information should have to be registered in the business names register?

There are so many possible permutations on the information that might be required to be registered that we have not attempted to set out mutually exclusive options for this issue. Instead, we have set out a list of items, any combination of which might be required to be registered. Most of the items in the list are required to be disclosed by one jurisdiction or another. Readers are invited to comment on any item upon which they hold strong views either for or against its mandatory disclosure.

Possible registration requirements:

1. the business name;
2. the nature of the firm using the business name (i.e. individual, corporation, partnership);
3. the address of –
 - the principal place of business in Alberta,
 - each place of business in Alberta;
4. information about the business carried on under the business name, consisting of –
 - the geographical area of the province within which the firm carries on business under the business name,
 - the general nature of the business carried on under the business name,
 - the specific products provided in connection with the business name;
5. the date the firm began or will begin carrying on business under the business name;
6. where the firm is an individual, his or her
 - full legal name,
 - residence address,
 - occupation;
7. where the firm is a corporation, its
 - corporate name,
 - corporate access number,
 - jurisdiction of incorporation,
 - head office or registered office;

8. where the firm is a partnership,
 - for each partner, the information mentioned in item 6 for individual partners and the information mentioned in item 7 for corporate partners;
 - the date of formation of the partnership;
 - the length of time the partnership is to exist;
9. an address in Alberta at which service of any document relating to the business being carried on under the business name may be effected on each person in respect of whom the name is registered;
10. the telephone number for the firm's principal place of business in Alberta.

We will comment specifically on just two of the foregoing items. A number of respondents to our business names survey suggested that the register should include the sort of information mentioned in Item 4. Information about the area of the Province in which the firm is carrying on business could be useful for determining whether there is a reasonable likelihood that actual confusion would result from the concurrent use of a name that is on the register and a name that another firm is contemplating adopting. Information regarding the nature of the business carried on or products supplied in connection with the business name could serve a similar purpose, since the likelihood of confusion between similar business names, or between a business name and a trade mark, may depend on whether they are used in connection with the same type of business or the same type of product.

Item 9 is based on one of the direct disclosure requirements in the UK *Business Names Act 1985*. If such a disclosure were required, it would be useful for the legislation to describe what the precise effect of serving a document on the registered address for service is. Should this constitute deemed service, even if there is evidence that the person to be served did not in fact get the documents? Should there be a rebuttable presumption of service?

Issue 14

Where a business name is being used by a large partnership (e.g. more than 10 members), should the requirement to register information about each partner be relaxed?

- Option 1 There are no exceptions to the general requirement to register information about each partner.

- Option 2** A large partnership must register the relevant information for a “designated partner” and the information regarding the other partners must be kept at the principal place of business and made available to the public for inspection without charge during regular business hours.
- Option 3** A large partnership does not have to register any information regarding each partner (Item 7 of Issue 13) if the relevant information is kept at the principal place of business and made available to the public for inspection without charge during regular business hours.

In common with legislation in several other jurisdictions, Alberta’s *Partnership Act* requires a partnership declaration to provide the relevant information for each partner. For large partnerships whose membership might change quite frequently this could be quite an undertaking. Ontario makes special provision for partnerships with more than 10 members and a principal place of business in Ontario.¹¹⁵ The registration must give the required information for the “designated partner” but may omit the information about the other partners if certain conditions are met. The conditions are that the partnership must maintain at the principal place of business in Ontario a record showing the required information for present and former partners who carry on or carried on the business of the partnership in Ontario, and must allow anyone to inspect the record during regular business hours without charge. Option 2 is based on the Ontario approach. The only difference between Option 2 and Option 3 is that the latter would allow the information for all partners to be provided at the business premises of the partnership. Option 3 reflects the approach of the UK *Business Names Act 1985*, which contains such a dispensation for partnerships having more than 20 members.¹¹⁶

Issue 15

Should individuals have the option of designating an agent for service of documents, instead of providing their residence address?

- Option 1** Individuals must provide their residence address in all cases.

¹¹⁵ O.R. 121/91 as amended by O.R. 441/95.

¹¹⁶ Of course, the UK Act is dealing with direct disclosure, not registration.

Option 2 Instead of providing a residence address, an individual can elect to provide the name and address of a designated person upon whom service of any document relating to the business of the firm constitutes service on the individual, and the designation remains in effect so long as it remains on the register.

The second sub-item in Item 6 of the list for Issue 13 is the residence address of an individual who is subject to the registration requirements. There are legitimate reasons why someone who deals with a business run by an individual or by a partnership of individuals might want to obtain this information. Service of documents is one reason which comes immediately to mind.¹¹⁷ On the other hand, there are many legitimate reasons why an individual who is associated with a business might not wish to disclose his or her home address in a public register that is linked to the business name. It might be a reasonable compromise to give individuals the option of designating an “agent for service” as an alternative to providing their residential address.

Issue 16

What fields in the business names data base should be searchable by the public?

Option 1 Members of the public may only search on the “business name” field.

Option 2 Members of the public may search on other fields, including, in particular, the “owner” field.

In many cases it would be very useful for someone to be able to search the business names register to find all the business names registered by a particular corporation or individual, rather than being limited to finding the individuals or corporations who are associated with a particular business name. On the other hand, it could be argued that allowing such “sweep searches” goes

¹¹⁷ Rule 15(3) of the Alberta Rules of Court already provides an expeditious means of serving legal process on the members of a partnership that has not to the knowledge of the plaintiff been dissolved before legal proceedings are commenced. If the partners are sued in the name of the firm (as contemplated by Rule 80(1)), then personal service is effected on the firm (effectively, on each member of the firm) by serving any one or more of the partners or by leaving the document with any person at the principal place of business of the partnership who appears to have management or control of the partnership business there. And once the action has been commenced, the plaintiff could require the firm to provide a written statement of the names and places of residence of each person who was a member of the firm when the cause of action arose: Rule 80(3). However, if the plaintiff knows that the partnership has been dissolved before proceedings are commenced, a member of the partnership must be served individually in order to be made liable for any judgement. A legislative provision of the sort contemplated by Option 2 could be useful in cases where a partnership has been dissolved. It could also be useful in the case of a one-person firm.

beyond the legitimate disclosure objectives of a business names register and would constitute an unjustifiable intrusion on the privacy of business name registrants.

Issue 17

Should business name registrations be subject to a periodic renewal requirement?

Option 1 No.

Option 2 Yes, registrations must be renewed

- (a) every year;
- (b) every two years;
- (c) every five years;
- (d) at some other interval.

One of the perceived weaknesses of the registration requirements under Alberta's *Partnership Act* is that the information in the register is unreliable because it is not kept up to date.¹¹⁸ The results of a survey that we conducted of business name registrants lend support to this perception. Earlier this year Alberta Municipal Affairs Registries provided the Institute with a randomly chosen list of 140 trade name registrants. The list included 105 registrations from the years 1990 to 1995 and 35 from the years 1960 through 1989.¹¹⁹ The Institute sent a short questionnaire to each of the registrants at the address given in the registration. The object of the exercise was to determine how much, if any, of the information in the original declaration was still accurate at the time we conducted the survey (early 1996).

Not surprisingly, many of the questionnaires were returned to us by Canada Post as undeliverable. In such cases we assumed that the registered information was out of date at least to the extent that the registrant was no longer at the registered address. Some of the questionnaires simply disappeared into thin air; they were not returned by Canada Post as undeliverable, nor were they completed and returned to us. In such cases we attempted to contact the registrant by

¹¹⁸ This was mentioned by many of the respondents to our business names survey.

¹¹⁹ The list of registrants is weighted towards the years 1990-1995 for a couple of reasons. Firstly, we assumed that we were more likely to get responses from registrants who had registered fairly recently. Secondly, registrations from 1990 onward are stored in a computerized database and it was easy for the Department to generate a random list of such registrants. Registrations prior to 1990 are not stored in a computerized data base, so generating a list of pre-1990 registrants was not as easy.

telephone.¹²⁰ If a questionnaire had disappeared into thin air and we were unable to contact the registrant by telephone, we concluded that the information that had been registered was probably no longer accurate.

The two tables that follow divide the 140 registrants into five groups, based on the periods of registration. Table 1 shows the percentage of registrations within each of these periods for which we were able to determine that all of the registered information was still accurate: in other words, the registrant was still carrying on business under the trade name at the address given in the registration.

Table 1
Registrations in which All Information Confirmed to be Accurate

Period of Registration	Number of Registrations	Registrations for which all Information Still Accurate	
		Number	Percentage
1994-1995	35	15	43%
1992-1993	36	9	25%
1990-1991	34	7	21%
1980-1989	23	2	9%
1960-1979	12	0	0%

It is unnecessary to do a lot of fancy statistical analysis to conclude that the percentage of registrations that can be confirmed to be completely accurate is not very high even for recent registrations, and falls off dramatically with the passage of time.

One might arrive at a less pessimistic appraisal of the value of the information in the business names register if one asks whether the information could be useful to someone who wants to find out something about the current use of a particular business name. Even if the information is no longer entirely accurate, it might at least provide a searcher with a starting point for getting more accurate information about a business name and its user. We found that in a

¹²⁰ To do this, we attempted to find a telephone listing for the registrant either under the registered business name or the name of the registrant.

significant number of cases where the information in the register was not entirely accurate, a moderately diligent searcher could use the information in the register to contact the registrant and get information about the current use of the business name. Table 2 shows the number of registrations from each period that provide useful information in the sense that it allowed the searcher to contact someone who knew whether the trade name was still in use by the registrant or by some other person.

Table 2
Useful Registrations

Period of Registration	Number of Registrations	Registrations Providing Useful Information about Business Name	
		Number	Percentage
1994-1995	35	21	60%
1992-1993	36	12	33%
1990-1991	34	8	24%
1980-1989	23	7	30%
1960-1979	12	1	8%

Although the percentages in Table 2 are higher than the corresponding percentages in Table 1 for each period, the pattern is similar in that the proportion of useful registrations drops off dramatically once registrations have been in effect for more than a couple of years.

One approach to the problem of obsolete information in the business names register would be to require registrations to be renewed periodically. Currently, the *Partnership Act* does not require periodic renewals of registrations. Thus, as demonstrated by the preceding data, a registration under the *Partnership Act* may long outlast the business in respect of which it is registered. Most provinces do require periodic renewal of registrations. The renewal period ranges from one year (Quebec) through three years (Saskatchewan, Manitoba, Prince Edward Island) to five years (Ontario, New Brunswick). If Alberta were to adopt a periodic renewal requirement for business names registrations, the data from our survey of business names registrants suggests that a two-year renewal period might be appropriate. The data suggests that the accuracy of information in the register declines fairly precipitously after a registration has been in effect for more than a couple of years.

Obviously, there is tension between the goal of keeping the business names register up to date and the desire that the business names registration system not be unduly burdensome to firms that are subject to its requirements. The disadvantage of a periodic renewal requirement for business names registrations is that it would increase the burden that the registration system imposes on firms that are required to register: the shorter the renewal period, the greater the burden. On the other hand, a periodic renewal requirement seems to be the best hope of keeping the register of business names reasonably up to date.

Issue 18

Assuming there is a renewal requirement, what should be the effect of a firm's failure to renew its business name within the renewal period?

- Option 1 The registration is immediately terminated for all purposes. The information about the firm and its business name is erased from the register.
- Option 2 The information about the firm and its business name is not erased on from the register, and is available to searchers, but the business name itself is considered not to be registered so long as the registration is not renewed.
- Option 3 There is no immediate effect upon the registration of the firm's business name. The Registrar sends the registrant a notice that the registration has not been renewed with a warning that the firm's business name will no longer considered to be registered at the end of a specified period unless the registration is renewed.

We do not think it would be wise to completely remove a business name and related information from the register when a firm fails to comply with the renewal requirement. After all, that a firm has failed to renew its registration does not necessarily mean that it is no longer carrying on business, and the register is supposed to be a source of information for members of the public. It would be odd if a firm's failure to renew its registration deprived the public of the ability to search the business names register to get information about that firm. The information about a firm should never be lost from the register no matter how delinquent the firm may be in its renewal obligations. It should be available to third parties who may need it. On the other hand, failure to renew its registration in a timely manner should have consequences for the registrant. If registration affords a firm some sort of priority to a name, failure to renew might deprive it of this priority. Other possible consequences of non-renewal, or of not renewing on time, are discussed in connection with Issue 24.

Issue 19

Apart from any periodic renewal requirement, what provision should be made for amendment of information in the register?

- Option 1 There is no provision for amendment of information in the register, apart from amendment at the time of periodic renewals.
- Option 2 Registrants may amend the information in the register at any time.
- Option 3 Registrants are required to amend information in the register whenever it becomes inaccurate because of a change of the facts to which the information relates.

Alberta's *Partnership Act* takes a curious approach to the amendment of registered information. Section 84(3) requires a partnership registration to be amended when certain material changes occur in the registered information.¹²¹ However, the Act does not provide for the amendment of registrations relating to business names other than partnership names. Not only does it not require amendment, it does not even provide for voluntary amendment, except that section 85.1 permits a registrant who has ceased to carry on business under a business name to file a declaration to that effect. One consequence of this is that if a firm sells its business and business name (as part of the goodwill of the business) to another firm, the original registration cannot be amended to reflect the change in ownership. The firm that has acquired the business must file a new declaration. One disadvantage of this is that if the original firm does not file a declaration under section 85.1, the register will indicate that two firms are using the same business name, and there will be no indication that one of the firms has acquired the business and business name of the other.

We can think of no reason why firms should not at least be permitted to file amendments to their business name declarations to reflect changed circumstances, including a transfer of ownership of the business. Moreover, if the information in the business names register is intended to be a reasonably accurate reflection of reality, it is difficult to think of a reason why firms should not be required to amend registrations as necessary to reflect changed circumstances.

¹²¹ The information must be amended when there is a change in the membership of the partnership, the business name, or the place of residence of any member of the firm. It would not require an amendment when the "occupation" of any of the partners changes.

3. Direct Disclosure

We remind readers that by “direct disclosure” we mean disclosure of information about a firm in its business documents or on its business premises. As discussed earlier, direct disclosure could be the only form of disclosure required – as under the UK *Business Names Act 1985* – or could complement a registration requirement.

Issue 20

What firms should be subject to direct disclosure requirements?

- Option 1 Any firm that uses an assumed business name is subject to the direct disclosure requirements.
- Option 2 The direct disclosure requirements apply only to corporations that use assumed business names (not to individuals or partnerships that use assumed business names).

While the Alberta *Business Corporations Act* requires all corporations to set out their corporate name in certain documents, no similar requirement applies to partnerships or single-individual firms even if they operate under assumed business names. The position in Ontario is similar¹²² but Saskatchewan imposes direct disclosure requirements on any business that has registered a business name under the Act. Similarly, the UK *Business Names Act 1985* applies equally to partnerships, individuals and corporations that use an assumed business name. It could be argued in favour of the latter approach that the rationale for imposing direct disclosure requirements on a firm that operates under an assumed business name does not depend on whether the firm is a corporation, partnership or individual.

Issue 21

Where a firm is subject to direct disclosure requirements, what information should it have to disclose?

Again, instead of setting out mutually exclusive options, we will simply list different possible disclosure requirements which could be mixed and matched in many different ways.

¹²² *Business Names Act*, s. 2(6). This provision imposes direct disclosure requirement on a corporation “and such other persons as are prescribed” carrying on business or identifying itself to the public under a registered name. No other persons appear to have been prescribed for the purposes of this provision.

Possible disclosure requirements:

1. the registered business name (assuming there is a business names register, of course);
2. the business name registration number;¹²³
3. the legal nature of the firm (i.e. individual, corporation, partnership, etc.);
4. where the firm is an individual his or her
 - full legal name,
 - residence address;
5. Where the firm is a corporation its
 - full corporate name,
 - corporate access number,
 - jurisdiction of incorporation,
 - head or registered office;
6. Where the firm is a partnership the information mentioned in item 4 or 5 for each partner, depending on whether the partner is an individual or corporation;
7. An address in Alberta at which service of any document relating to the business being carried on under the business name may be effected on the proprietor or on each partner.

The only information that section 10(8) of Alberta's *Business Corporations Act* requires to be disclosed is the corporate name. If a document contains a corporation's corporate name, someone who wants to get more information will be able to search the corporate information register to get that information. More generally, it might be thought that the amount of information that is required to be disclosed directly by a firm should depend on whether direct disclosure is a substitute (as in the UK) or a complement (as in most other jurisdictions) to a registration system. If direct disclosure is all there is, then all the information that it is thought necessary to provide to the public must be directly disclosed. But if direct disclosure is complementary to a registration system, the primary function of direct disclosure might be to set

¹²³ The purpose of this would be to make it easy to obtain more information about the firm by searching the business names register. The registration number would be redundant if the business name itself serves as a unique identifier (no two firms can register the same business name). It would be more important if more than one firm can register the same business name.

out in the firm's documents the information that someone getting those documents would need in order to find more detailed information about the firm in the public register.

Issue 22

On what types of documents, or in what places, should direct disclosure be required.

Possible disclosure locations or contexts:

1. on any business premises to which a firm's customers ordinarily have access;
2. in "formal" documents, such as contracts, purchase orders, invoices, and statements of account;
3. in "informal" documents, such as correspondence, advertisements, catalogues, and brochures, regardless of the form of the document.

To see somewhat different approaches to this issue we need only compare the requirements of two Alberta statutes: the *Business Corporations Act* and the *Companies Act*. Section 10(8) of the former requires disclosure in certain types of documents – "contracts, invoices, negotiable instruments and orders for goods or services" – but not on business premises. Section 87(1) of the latter requires disclosure of the company's name at each place where it does business as well as its registered office. One might think that so long as the amount of information that must be directly disclosed is fairly modest, direct disclosure should be required in any location or document where such disclosure is practical and where the information may be useful to a person who is dealing with the firm.

Readers might wish to consider this issue as it relates to documents and communications in non-paper form. As noted earlier, the Province may lack the practical ability to impose its legislative will on many persons using telecommunication or computer networks to do business in Alberta. On the other hand, there are many people doing business in Alberta who also have a physical presence in Alberta (or who may be trying to enforce contracts in Alberta), and who are thus subject in practice to the legislative will of the Province. It is arguable that a requirement for Alberta-based firms that advertise on the Internet to disclose, say, their full name and physical address would be at least as useful as a requirement to disclose such information in traditional paper documents.

C. Additional Issues

1. Application of Legislation

Issue 23

Should business names legislation apply only to firms carrying on particular types of business or should it apply to firms regardless of the type of business they are carrying on?

Option 1 The legislation applies to firms carrying on specified types of businesses.

Option 2 The legislation applies to firms regardless of the nature of their businesses.

Option 3 The legislation applies generally to firms regardless of the nature of their business, but firms carrying on certain types of business are excluded from the disclosure requirements.

The registration requirements under sections 81 and 85 of Alberta's Partnership Act are an example of Option 1, in that they apply only to partnerships or proprietorships engaged in "trading, manufacturing, contracting or mining". New Brunswick's *Partnerships and Business Names Registration Act* is similarly limited in scope,¹²⁴ but most jurisdictions do not limit the application of their business names legislation to specific types of business. For example, subject to specific exceptions, Saskatchewan's legislation applies to anyone carrying on "business under a business name", and "business" is defined to include "every trade, occupation profession or venture carried on by one or more persons with the object of acquiring profit."¹²⁵

Several provinces exempt firms carrying on certain types of business from their business name registration requirements. Saskatchewan exempts members of self-regulating professions and individuals or partnerships whose sole business is the primary production of agricultural

¹²⁴ See s. 2(1).

¹²⁵ *Business Names Registration Act*, ss 2(c), 4(1).

products.¹²⁶ Manitoba exempts members of self-regulating professions,¹²⁷ while Nova Scotia exempts farming and fishing. On the other hand, Ontario, Quebec and Prince Edward Island do not appear to exempt any classes of businesses from their legislation.

We find it difficult to think of any plausible justification for the current Alberta approach of limiting the scope of business names legislation to particular classes of business. If there is a reason for excluding a type of business or type of firm from such legislation, then there can be a specific exclusion, as under the Saskatchewan legislation. We think that there would be a heavy burden on anyone who argues that firms carrying on certain types of businesses, such as the practice of law or farming, should be exempted from the requirements to which other enterprises are subject. In this regard, it should be noted that if one of the purposes of business names legislation is to provide a central index of business names, this purpose will not be well served by exempting firms carrying on certain types of businesses from its requirements.

2. Compliance

Issue 24

To what sort of penalties or disabilities should a firm be subject for non-compliance with the requirements of the business names legislation?

The following are but a few of the options for dealing with non-compliance. Obviously, the options are not mutually exclusive.

Option 1 Non-compliance is an offense for which there is a substantial fine.

Option 2 If it is brought to the attention of the Court that a firm that has commenced an action has not complied with a business name registration requirement, the action must be stayed (suspended) until the firm has complied with the registration requirement.

Option 3 A firm cannot enforce any contract that was entered into while it was in default of its obligations under the legislation.

¹²⁶ *Ibid*, s. 4(3), (4).

¹²⁷ *Business Names Registration Act*, s. 2(2).

- Option 4 If a firm commences an action in respect of events that occurred while it was in default of its obligations under the legislation, the Court may dismiss the action or grant other appropriate relief, including damages, if the defendant shows that it has been prejudiced because of the firm's failure to comply with its obligations.
- Option 5 In any proceedings in which a firm seeks relief on the grounds that another firm's business name or trade mark is identical or confusingly similar to, or otherwise conflicts with, its own business name, the firm seeking relief is estopped from asserting that it was using its business name in Alberta during any period in which it had failed to comply with a requirement to register its business name or (subject to any applicable grace period) had failed to renew such a registration.
- Option 6 The Registrar or any member of the public may apply for an injunction restraining a firm from carrying on business under an unregistered business name.
- Option 7 There are administrative penalties for late registration (or renewal), in that it costs substantially more to register late than to register on time.

So far as we know, no one has compiled statistics on the level of compliance with the *Partnership Act's* registration requirements. There is a perception, however, that the level of compliance is not particularly high.¹²⁸ Many firms – especially small firms – probably fail to comply simply because they are not aware of the requirements of the *Partnership Act*. However, it would not be surprising if many firms who are quite aware of their obligations under the Act simply ignore them. A firm gains no direct benefit from registration, so apart from any sense of moral obligation that a firm may feel, the main reason it will have to comply with the Act is the threat of incurring the penalties for non-compliance.¹²⁹ These penalties, however, are hardly calculated to strike fear into the heart of a firm that may be tempted to ignore the Act. The *Partnership Act* provides two sanctions for failing to file a declaration. The first is that non-compliance is an offence for which the maximum fine is \$500.¹³⁰ The second is that legal proceedings initiated by a firm that has not registered may be stayed (suspended) at the instance

¹²⁸ This perception was shared by many of the respondents to our business names survey.

¹²⁹ Some firms may register under the misapprehension that registration of a business name gives them rights in that name. Several respondents to our business names survey pointed out that small businesses will sometimes register in order to meet the requirements of a financial institution from whom they are getting financing. And other firms or their legal advisers may feel that there are practical advantages to registering a business name.

¹³⁰ *Partnership Act*, s. 87.

of an opposing party until the firm registers,¹³¹ but there is no penalty (other than the possible \$500 fine) for delaying its registration until forced to do so. In other words, the risks of not registering are trivial.

A number of the respondents to our business name survey volunteered that the penalties for non-compliance must be made more robust. It is not difficult to think of penalties for non-compliance that would encourage a much higher level of compliance than currently seems to be the case. The challenge, however, is to come up with a scheme of penalties or disabilities that will produce a high level of compliance without producing manifestly unjust results in particular cases. Option 3, preventing firms from enforcing contracts entered into while they are in default, would probably produce a high level of compliance amongst well-advised firms. The problem is that such consequences could be regarded as disproportionate to the mischief at which the legislation is aimed.

Option 4 is a less draconian version of the approach embodied in Option 3. A firm that fails to comply with the requirements of the legislation could be prevented from enforcing rights that it would otherwise have, but the penalty would be applied only if the defendant has been prejudiced by the default. Section 5 of the UK *Business Names Act 1985* takes this approach. Option 4 would rarely lead to the dismissal of an ordinary action in contract or tort, because defendants would rarely be able to establish the necessary prejudice. There is, however, one type of action where a defendant might well have been prejudiced by the plaintiff's failure to register its business name or to renew a registration. This is an action for passing-off. A defendant who establishes that it chose its business name after searching the business names register when the plaintiff's name ought to have been but was not registered would have a good argument that it has been prejudiced by the plaintiff's non-compliance.

Option 5 is similar to Options 3 and 4, in that it could deprive a firm of rights that it would have but for its non-compliance with the Act. It does so by preventing a firm from asserting in certain proceedings that it was illegally using an unregistered business name. Option 5 focuses specifically on proceedings in which the defaulting firm is complaining that another firm's business name or trade mark conflicts with its own business name. The proceedings might be an action for

¹³¹ *Ibid*, s. 88. The *Partnership Act* does contain one fairly robust provision. Section 90(1) states that a person who has signed a partnership declaration is deemed to remain a partner until a new declaration has been filed. Given the liabilities to which a person may be subject as a partner, this should provide great incentive for a person who is leaving a partnership to ensure that the necessary declaration is filed. On the other hand, given the rather tepid consequences of failing to register a declaration in the first place, section 90(1) might be thought to provide a good reason for not filing a partnership declaration in the first place.

passing-off or an opposition to another firm's application for registration of a trade mark.¹³² The firm would be estopped from asserting that it was using its business name in Alberta during any period that it was in default of the registration requirements. To adapt an old maxim of the courts of equity, the legislation would deem as not done that which ought not to have been done. It should be noted that under this approach registration of a business name does not create rights in that name, as it would under a scheme where priority to conflicting business names is expressly based on the order of registration. Rather than registration creating rights in a business name, failure to register a business name could prevent a firm from asserting rights that it might otherwise have had under some other body of law, such as the law of passing-off.

Turning to Option 6, in some jurisdictions a court that convicts a firm of an offence under the business names legislation may, in addition to imposing a fine, order the firm to comply with the legislation.¹³³ This seems logical enough, but the making of such a compliance order depends on the firm having been convicted of an offence. In many cases the Registrar – or another firm – may be more interested in securing a firm's future compliance with the legislation than with getting a conviction for past non-compliance. The sort of provision contemplated by Option 6 would provide a mechanism for getting an order for future compliance without first obtaining a conviction for past non-compliance.

Making it more expensive to register late than to register on time, as contemplated by Option 7, could be an effective compliance tool if firms have good reason to register in the first place. If a firm has no intention of ever registering its business name because the consequences of non-registration are trivial, a penalty for late registration is unlikely to persuade it to register on time. However, if the unpleasant consequences of not being registered are reasonably stringent and reasonably likely to materialize, penalties for late registration may help convince a firm that it is better to register sooner rather than later. For example, if a firm thinks there is a reasonable chance that it will commence legal proceedings in the future, then the prospect that any action it brings will be stayed until it registers (Option 2) and the knowledge that it costs substantially more to register late than to register on time may induce the firm to register on time. The degree

¹³² Suppose that Firm X objects to Firm Y's application for registration of a trade mark on the ground that the trade mark is confusing with X's business name, which X used in Alberta before Y used the trade mark or made it known in Canada. If X can prove its allegations, Y is not entitled to registration of its trade mark: *Trade-Marks Act*, section 16(1). The wording of the provision implementing Option 5 could be broad enough so that it purports to prevent X from asserting that it was using its business name in Alberta for the purpose of the opposition proceedings under the *Trade-Marks Act*. The issue would then be whether the estoppel created by the provincial legislation would be applied in opposition proceedings under the federal Act. We will not attempt to answer this issue here.

¹³³ See e.g. *Business Names Registration Act*, s. 20(2).

of mutual reinforcement might be greater yet if the late registration penalty were cumulative, say, \$X for every month that a firm is late in complying with the registration requirement.

3. Transitional concerns

Issue 25

If Alberta were to adopt a business names registration system that assigns priority to the use of conflicting assumed business names based wholly or partly on the order of registration, how should this affect firms that are using a business name on the date that the new system comes into effect?

We will not state specific options for this issue, but will invite readers to provide us with their thoughts after considering the following observations. Some approaches to the reform of business names legislation would not raise any significant transitional issues. For example, if the current business names registration requirements were simply abolished, we do not foresee that there would be any significant transitional issues. Similarly, even if the registration requirements are maintained and registrants are required to provide more information, that in itself would not raise significant transitional issues. Significant transitional issues would arise, however, if it were decided that priority to the use of conflicting assumed business names should be based wholly or partly on the order of registration.

The transitional problem that might arise can be illustrated by assuming that on Date X Alberta were to implement a system for all business names based on the current approach of the *Business Corporations Act* to corporate names:

1. different firms could not have identical business names, and the first firm to register has priority to the name;
2. a firm that has registered a business name may prevent another firm from registering (or using) a confusingly similar business name, or require that a firm that has managed to register such a name (after its own name was registered) cease using the conflicting name.

At the moment, we have a business names registration system under the *Partnership Act* that is content to let different firms register and use identical or confusingly similar business names. Thus, on Date X there could be thousands of firms using business names that are either identical or confusingly similar to each other. Under the current regime, the relative legal position of all these firms regarding the use of the conflicting names is determined by the common law (assuming that the *Trade-Marks Act* is not involved), and has nothing to do with the order of registration. It is difficult to see how one could justify a transitional rule under which a firm that has a right to

use a name before Date X would lose that right after Date X, depending on the order of registration of its name in the old or new registration system.

It might be reasonable to require all firms that were using a business name on Date X to register their business names under the new system during a reasonable transitional period. However, it seems that where a firm was using a business name immediately before Date X, its rights and liabilities with respect to the use of that name should be no worse after Date X than they were immediately before Date X. This might be subject to a proviso that a firm must register under the new legislation during the transitional period in order to preserve its existing rights in its business name.