

IN THE SUPREME COURT OF NOVA SCOTIA

Citation: AMEC E&C Services Limited v. Whitman Benn and Associates Limited et al. -
2003 NSSC112

Date: 20030516
Docket: S.H. No. 196403
Registry: Halifax

Between:

AMEC E&C Services Limited, a body corporate

-and-

Whitman Benn and Associates Limited, a body corporate, **Intrepid Holdings Limited**, a body corporate, **John Bachynski** and **Aubrey Palmeter**

Decision

Judge: The Honourable Justice Robert W. Wright

Heard: April 22, 2003 at Halifax, Nova Scotia

Written Decision: May 16, 2003

Counsel: For the Applicant - Douglas Lutz and Geoffrey Saunders

For the Respondents - Intrepid Holdings Limited and Aubrey Palmeter -
Peter Bryson, Q.C. and Kevin Gibson

For the Respondents - Whitman Benn and Associates Limited and John
Bachynski - Ann Smith

By the Court:
Wright J.

Introduction:

[1] The plaintiff AMEC E&C Services Limited (“AMEC”) has brought an application for an interlocutory injunction against the defendants seeking to enjoin them from:

- (a) Using the name or derivatives of the name Whitman Benn;
- (b) Compelling Whitman Benn and Associates Limited to change its name;
- (c) Compelling Intrepid Holdings Limited (“Intrepid”) to withdraw its application to register the name Whitman Benn as a trademark.

[2] At the outset of the application, plaintiff’s counsel indicated their intention to add another party, namely, Whitman Benn Inc. as a party defendant against whom the same injunctive relief is sought. Defence counsel took no objection to this proposed amendment and the hearing of the application proceeded on the basis that Whitman Benn Inc. would also be treated as a party defendant. A formal order adding Whitman Benn Inc. as a defendant is to follow.

[3] The application was filed concurrently with the commencement of an action in the Supreme Court on March 27, 2003 in which the plaintiff alleges that the defendants have committed the tort of passing off by their unauthorized use of the name Whitman Benn. At the time of the hearing of this application, pleadings were not yet closed but the court has before it affidavits deposed to by Charles Leonard on behalf of the plaintiff and by Messrs. John Bachynski, Aubrey Palmeter, and Robert Bruce on behalf of the defendants. All but the latter were cross-examined on their

affidavits at the hearing of the application.

Summary of the Facts:

[4] The relevant history behind this application begins in December, 1998 when an agreement was entered into by virtue of which AGRA Inc. agreed to purchase, and the shareholders of Whitman Benn Enterprises Limited (“WBEL”) agreed to sell, all the shares in WBEL. The signatories to the agreements included as shareholders both Messrs. Bachynski and Palmeter, both engineers who were then employed by WBEL. At the time, WBEL was the parent of several subsidiaries using derivatives of the name Whitman Benn. It carried, on its consolidated financial statements for the year ended August 31, 1998 an asset entry for goodwill valued at \$572,849.

[5] The share purchase closed on February 23, 1999 although by that time the parties had agreed to amend the original share purchase agreement. By addendum dated February 23, 1999, the parties agreed that certain business entities within the Whitman Benn group of companies were to be divested in a manner satisfactory to the purchaser. In other words, the specified companies (17 in all) were no longer to be included in the transaction. Of these 17 companies, eight of them carried the name Whitman Benn in some derivative form and the addendum provided that following closing, the names of those eight business entities were to be changed by removing the name “Whitman Benn” wherever it appeared as part of the corporate name. Those companies eventually came under the control of Intrepid, a holding company owned and operated by the defendant Palmeter.

[6] The result of all this was that AGRA, through its subsidiary Monenco, acquired the three Whitman Benn operating companies, namely, the parent company WBEL, Whitman Benn Group Inc., and Whitman Benn Decision Systems Limited (hereinafter referred to as “the operating companies”). These operating companies were then renamed AGRA Whitman Benn Enterprises Limited, AGRA Whitman Benn Group Inc., and AGRA Whitman Benn Decision Systems Limited respectively. Both Messrs. Bachynski and Palmeter continued to be employed with these operating companies in executive positions.

[7] The next development of significance occurred in April of 2000 when AGRA Inc. merged with AMEC Inc. thereby creating a significantly larger engineering firm operating more than 300 offices across Canada and the United States. On January 18, 2001 AMEC Inc. issued a media release announcing the launching of the AMEC brand name following its merger with AGRA. More specifically, the announcement was made that several named AMEC subsidiary companies thereafter would operate and market their services under the new AMEC brand. Included in the named subsidiary companies was AGRA Whitman Benn.

[8] At about the same time, namely, on January 29, 2001, the three operating companies bearing the AGRA Whitman Benn name were amalgamated into one continuing corporate entity. The effect of the amalgamation, of course, was to vest all the property and rights, as well as the obligations, of the three operating companies into the one continuing company. The name of the continuing company was AMEC E&C Services Limited, the plaintiff in this action. Again, both Messrs. Bachynski and Palmeter continued their professional employment with AMEC in Halifax.

[9] As a result of AMEC's marketing strategy to adopt one strong common brand name throughout North American to better represent AMEC's services and capabilities to its customers, the Whitman Benn name fell into disuse after January of 2001. The only evidence of its continued use by AMEC since that time is for promotional purposes through making reference in some of its business proposals to its history as Whitman Benn, particularly in connection with the Atlantic Canada market. This evidence was adduced by Mr. Leonard, the plaintiff's current Operations Manager, but the details and frequency of such references to the Whitman Benn name remains sketchy at this point.

[10] The most recent history of events, which give rise to this litigation, pick up in the summer of 2002, following the termination of Mr. Palmeter's employment with AMEC some time in March of that year. Mr. Palmeter was interested in continuing in the engineering profession through a new startup company, including the revival of the Whitman Benn name. Mr. Palmeter then embarked on a number of steps to revive that name beginning in August of 2002 when he submitted an application to register the name Whitman Benn as a trademark on behalf of his holding company, Intrepid. He also in that same month changed the corporate name of one of the companies Intrepid had acquired control of, outside of the share purchase agreement, to Whitman Benn Inc. (which is the corporate entity to be added as a party defendant in this proceeding).

[11] Around the same time, Mr. Bachynski recounted in his affidavit that he received a visit from Mr. Palmeter who advised him that he had started a new company by the name of Whitman Benn Inc. Mr. Bachynski was thinking about leaving the employ

of AMEC and starting his own business. Mr. Palmeter reportedly told him that if he decided to make such a move, that Mr. Palmeter would be willing to confer a license for the use of the Whitman Benn name by Mr. Bachynski.

[12] After thinking it over, Mr. Bachynski decided to further his career by leaving AMEC and starting his own engineering company. On December 4, 2002, he incorporated a new company named Whitman Benn & Associates Limited (“WBAL”). On the same date, WBAL entered into a trademark license agreement with Intrepid whereby Intrepid purported to grant to WBAL a non-exclusive, non-transferrable license to use the trademark Whitman Benn whether registered or not. It is noteworthy that at this point, the trademark had been applied for by Intrepid but its registration has not yet been accepted by the responsible federal agency.

[13] Having done so, Mr. Bachynski gave notice of his resignation to AMEC on January 2, 2003, effective January 31, 2003. Come February, Mr. Bachynski began setting up his new firm, entering into a five year commercial lease of business premises in Halifax, purchasing office equipment and hiring professional and administrative employees.

[14] There are a number of references in the affidavit evidence to the occasions during the last half of 2002 on which Mr. Palmeter informed management personnel at AMEC of his intention to start up a new business, including the revival of the Whitman Benn name. The evidence presently before the court indicates that he spoke in this regard to Robert Bruce, then President of one of the AMEC subsidiaries, and also to Mr. Leonard, neither of whom appeared to voice any objection at the time.

[15] Mr. Leonard's recollection is that he was so informed by Mr. Palmeter some time in October of 2002 or later and that he was not aware until February of 2003 that the name Whitman Benn was actually being used in the public domain. Once learning of this, AMEC commenced these proceedings in the Supreme Court of Nova Scotia on March 27, 2003.

Issues:

[16] To be decided on this application is the question of whether the court should exercise its discretionary power to grant an interlocutory prohibitory injunction restraining the defendants from using the name Whitman Benn (or a derivative thereof) and an interlocutory mandatory injunction compelling WBAL to change its name and compelling Intrepid to withdraw its application to register the name Whitman Benn as a trademark.

Legal Analysis and Findings:

[17] Section 43(9) of the *Judicature Act* provides that the court may grant an injunction when it appears just or convenient that such order should be made. As articulated in the leading decision of the Supreme Court of Canada in *R.J.R. MacDonald Inc. v. Canada (Attorney General)* (1994) 111 D.L.R. (4th) 385, the courts have now developed what is essentially a three part test for deciding when the granting of injunctive relief is appropriate. As a threshold determination, the court must be satisfied, at least for the granting of a prohibitory injunction, that the plaintiff has presented a case which is not frivolous and vexatious but which presents a serious issue to be tried. If that threshold test is met, the court must go on to consider whether the plaintiff will suffer irreparable harm if the injunction is not granted and, finally,

where the balance of convenience lies as between the parties.

[18] While a low threshold is to be applied in determining whether there is a serious question to be tried in respect of a prohibitory injunction, it is argued by defence counsel, and acknowledged by the plaintiff's counsel, that a higher threshold applies in cases where a mandatory injunction is sought. Counsel have referred me to the recent decision of Justice MacAdam in *Canada (A.G.) v. Maritime Harbours Society et al.* (2002) 197 N.S.R. (2d) 322 where he reviews (at paras. 30-32) other decisions of this court where it has been held that the threshold test for a mandatory interlocutory injunction requires the applicant to establish a strong prima facie case or that the applicant is clearly in the right. Justice MacAdam concluded that regardless of the formulation of the threshold test for a mandatory injunction, it is clear that it is higher than that for an interlocutory prohibitory injunction.

[19] The court must be hesitant in going so far as to make a finding on an interlocutory application such as this that the plaintiff is clearly in the right in claiming the proprietary rights in the name Whitman Benn when that is the underlying issue to be determined at trial, indeed in the face of strenuous opposition by the defendants. Yet it is evident from the case authorities in this province that the threshold test to be met for the granting of a mandatory injunction is higher than the triable issue threshold for the granting of an interlocutory prohibitory injunction. For mandatory injunctions, the threshold test is not as easily formulated for universal application. It therefore becomes one that is likely to produce a just result that such order should be made (having regard to the language of s. 43(9) of the *Judicature Act*) in individual cases.

[20] Here, the requisite threshold test to be met by the plaintiff, in my judgment, is to show a strong *prima facie* case of its entitlement to the exclusive use of the Whitman Benn name to avoid public confusion. In making that determination, I use the term *prima facie* as meaning “on first appearance but subject to further evidence or information” as found in Black’s Law Dictionary (7th Ed.).

[21] In deciding whether the threshold test has been met in this case, it is important to examine the evidence pertaining to the ownership of the name Whitman Benn (the use of which dates back to 1933 in one form or another) following the share purchase agreement which closed on February 23, 1999. As recited earlier, AGRA Inc., through a subsidiary Monenco, purchased all the shares of the three Whitman Benn operating companies. The share purchase agreements did not specifically mention the transfer of the name Whitman Benn but nor would that be expected where it was a share purchase transaction as opposed to an asset purchase. That is to say, there was no transfer of ownership of the assets themselves but rather a transfer of the ownership of the shares of the company which owned those assets.

[22] Once the share purchase transaction was completed, AGRA Inc. altered the name of the three Whitman Benn operating companies it acquired by adding its name AGRA on the front end. The other eight companies bearing the name Whitman Benn or a derivative thereof, which became excluded from the share purchase transaction, were required to undergo a change of name to exclude the Whitman Benn designation, which was done. AGRA, therefore, continued to use the name Whitman Benn as part of its corporate identity to the exclusion of everyone else. It was only in January of 2001, after the AGRA - AMEC merger in April of 2000, that the three AGRA

Whitman Benn operating companies were amalgamated to form the plaintiff company as part of a new marketing strategy. The name Whitman Benn thereupon fell into general disuse until it was revived by Mr. Palmeter about a year and a half later.

Mr. Palmeter acknowledged in his evidence that the name Whitman Benn has not at any time been transferred or conveyed to him since the WBEL share sale and that he has not made any payment to anyone for the intended use of that name. Plaintiff's counsel therefore argue that Mr. Palmeter has now appropriated unto himself that which he inherently sold as part of the share purchase transaction which closed on February 23, 1999. This, of course, forms the basis of the plaintiff's action which is framed in the tort of passing off, as codified under s. 7(b) of the *Trade-marks Act*, R.S.C. 1985, c. T-13.

[23] Section 7(b) of the *Trade-marks Act* prohibits a person from directing public attention to his wares, services or business in such a way as to cause or be likely to cause confusion, at the time he commenced the activity in question, with the wares, services or business of another. As stated by Hughes on Trade Marks (Butterworths, looseleaf ed.) at p. 665, "It appears to be sufficient that the offending practice is calculated or likely to deceive rather than intended to deceive. Confusion leading to public deception is therefore the key element".

[24] Counsel for the plaintiff also referred to the decision of the Supreme Court of Canada in *Ciba-Geigy Canada Ltd. v. Apotex Inc.* (1992) 44 C.P.R. (3rd) 289 in which the three necessary components of a passing off action were identified (at p. 297) as the existence of goodwill, deception of the public due to a misrepresentation and actual or potential damage to the plaintiff. The court further recognized in that case

(at p. 303) that confusion is the essence of the tort of passing off and must be avoided in the minds of all customers.

[25] The argument advanced by plaintiff's counsel in the present case is that there is a goodwill value in the use of the name Whitman Benn which the plaintiff is at risk of losing if the injunction is not granted. It is urged that such damage or potential damage will likely arise from confusion in the eyes of the consumer public who would be lead to believe that by contacting WBAL, they would be dealing with the previous Whitman Benn entity which is now AMEC. Plaintiff's counsel points to the decision in *Maritime Steel and Foundries Ltd. v. Toombs* (1991) P.E.I. J. No. 101 as a similar case example where an interlocutory injunction was granted restraining the defendant's use of a business name following the transfer of assets, including the business name, to the plaintiff through a receivership.

[26] The counter argument advanced on behalf of the defendants is that AMEC has provided no evidence of confusion in the marketplace having occurred as yet and that there is no basis for anticipating that any such confusion will materialize where the name Whitman Benn has not actively been used by AMEC for the past two years following its public announcement on January 18, 2001 that AMEC subsidiary companies would thereafter operate and market their services under the new AMEC brand identity.

[27] Undoubtedly, there is a lot more evidence to come out in this proceeding that will have to be developed for trial. For purposes of this application, however, I am satisfied that the plaintiff has made out a prima facie case in this passing off tort

action. While there is no evidence before the court of public confusion actually having occurred as yet, I observe that the new WBAL business only began operation about two months ago and there has been little time for anything to develop in that regard. In any case, it appears from the foregoing passage in Hughes to be sufficient that the offending practice is likely to deceive rather than intended to deceive. Not everyone in the market for engineering services is likely to be so deceived but in my view, the likelihood is there that others may be.

[28] I recognize that the defendants will be advancing arguments at trial of the abandonment by AMEC of the business name Whitman Benn and waiver and/or estoppel on its part by virtue of subsequent events. These issues can only be determined at trial, of course, upon a full hearing of all the evidence. For purposes of this interlocutory application, I am satisfied that the plaintiff, by making out a prima facie case, has met the threshold test for the granting of a mandatory injunction. It follows that the plaintiff has also met the lower threshold test of demonstrating a serious issue to be tried for the granting of a prohibitory injunction.

[29] Having so found, I must next consider whether or not the plaintiff stands to suffer irreparable harm if the injunction is not granted, that is to say, harm that cannot be adequately compensated for by the remedy of monetary damages. I consider this to be the most troublesome part of the analysis in this case because the plaintiff's proprietary right in the continuing use of the name Whitman Benn will not be finally determined until the trial of this action. The task of the court in the present application, of course, is simply to decide what the holding pattern ought to be with respect to the use of the name Whitman Benn pending the trial. That determination

must now be made based upon my earlier finding that the plaintiff has made out a prima facie case for the ownership of the name Whitman Benn (subject to the aforementioned defences raised) and by going on to consider the tests of irreparable harm and balance of convenience.

[30] The seminal case defining the test of irreparable harm is *R.J.R. MacDonald* where the court said (at p.405):

At this stage, the only issue to be decided is whether a refusal to grant relief could so adversely affect the applicant's own interests that the harm could not be remedied if the eventual decision on the merits does not accord with the result of the interlocutory application.

"Irreparable" refers to the nature of the harm suffered rather than its magnitude. It is harm which either cannot be quantified in monetary terms or which cannot be cured, usually because one party cannot collect damages from the other. Examples of the former include instances where one party will be put out of business by the court's decision; where one party will suffer permanent market loss or irrevocable damage to its business reputation; or where a permanent loss of natural resources will be the result when a challenged activity is not enjoined. (emphasis mine)

[31] Although there is a huge disparity in size between AMEC and WBAL, the evidence clearly establishes that they are in competition with one another in the marketing and provision of engineering services. It is also clear (and indeed Mr. Palmeter candidly acknowledges) that the name Whitman Benn has value in the market place, however intangible it may be in attracting customers. If there is likely to be some degree of confusion in the market place because some customers will be attracted to the name Whitman Benn, believing it to be part of AMEC's business, it can be fairly inferred that AMEC is likely to suffer damage by reason of that erroneous belief. If AMEC ultimately succeeds at trial, it would be virtually

impossible to identify or quantify that loss in monetary terms. Practically speaking, there would be no sound way of identifying or quantifying the business that may have been attracted by WBAL by reason of customers being confused over its use of the Whitman Benn name. Where AMEC also continues to use the name Whitman Benn in some of its project proposals for promotional purposes, at least in the Atlantic Canada market, such confusion is likely to occur in the minds of some consumers of engineering services. That, in my view, places the prospect of irreparable harm beyond the realm of mere speculation and into the realm of reasonable probability. However difficult the test may be to apply in a case such as this, I am satisfied in the final analysis that the plaintiff has met the requirement of showing the prospect of irreparable harm, in the absence of an injunction, with sufficient clarity.

[32] It remains for the court to consider the third part of the test for the granting of an interlocutory injunction, known as the balance of convenience. As the Supreme Court of Canada described this part of the test in *R.J.R. MacDonald*, an examination of the balance of convenience involves a determination of which of the two parties will suffer the greater harm from the granting or refusal of an interlocutory injunction, pending a decision on the merits.

[33] The submissions made by plaintiff's counsel on this issue are essentially encompassed by the arguments made on irreparable harm. The plaintiff wants to avoid what it sees as the immediate loss or impairment of the name Whitman Benn it acquired through the above described transactions. The plaintiff is concerned that with the startup of business operations by WBAL, consumers of engineering services will be attracted to the name Whitman Benn, believing it to be part of AMEC's

business.

[34] During cross-examination on his affidavit, Mr. Bachynski candidly acknowledged that it made no difference to him in the start-up of his business whether he used the name Whitman Benn or his own name. When further asked whether or not his business would be affected if he were compelled to stop using the Whitman Benn name immediately, his answer was no, except for some inconveniences. Those inconveniences, of course, would be changes of letterhead, business cards, signage etc. along with making the necessary application to the Registry of Joint Stock Companies for a corporate name change. Similarly, the inconvenience to Mr. Palmetter and his companies would extend to having to change the corporate name of Whitman Benn Inc., discontinuing the trademark license agreement entered into with WBAL, and withdrawing the trademark application currently in process.

[35] In weighing these various considerations, I am satisfied that the balance of convenience tilts in favour of the plaintiff. The expenses associated with the inconveniences to the defendants in discontinuing their use of the Whitman Benn name until trial would not amount to any great sum of money and Mr. Bachynski, who has just started up a firm bearing the Whitman Benn name, does not anticipate that his business will otherwise be affected one way or another by the granting of the injunction. I also observe that AMEC, through Mr. Leonard's affidavit, has undertaken to pay damages to the defendants should the court ultimately find that the injunction should not have been granted.

[36] Before leaving the subject of balance of convenience, I must address the

argument of delay advanced by both defence counsel. The affidavit evidence indicates that during the summer of 2002, Mr. Palmeter informed Robert Bruce, who was then a Vice President of AMEC Inc. in Toronto, of the possibility of his return to private business through a new start-up company and the revival of the Whitman Benn name. Mr. Palmeter deposes that he similarly discussed this with Charles Leonard in August of 2002 (Mr. Leonard says the discussion took place in October of 2002 or later) with neither individual expressing any objection or concern at the time. A further affidavit has been filed by Robert Bruce himself who attests that during the summer and autumn of 2002, he told many persons within the AMEC organization, including Mr. Roddy Grant, then President and Chief Operating Officer of AMEC Inc., of Mr. Palmeter's intentions and that no one to whom he spoke expressed any concern over it. It appears that it was not until February or March of 2003 that the plaintiff made its objections known to the defendants over their use of the Whitman Benn name when it was first learned that the name was actually being used in the public domain.

[37] Undoubtedly, there will be more evidence available at trial over the plaintiff's delayed reaction as the defendants marshal their defences of abandonment, waiver and estoppel. Plaintiff's counsel point out that when holding these discussions with Messrs. Bruce and Leonard, Mr. Palmeter was speaking only in terms of possibilities and future intentions and that there was then nothing firm to respond to. I also note in passing that plaintiff's counsel made brief reference on the hearing of this application to a two year non-competition clause obtained by AMEC from Mr. Palmeter at the time that his employment with them came to an end in March of 2002.

[38] While I consider that the plaintiff's failure to react earlier from its discussions

with Mr. Palmeter to detract from its claim for equitable relief by way of an interlocutory injunction, I do not regard it as fatal to this application. Once the start-up of WBAL actually materialized in February of 2003, in competition with AMEC, AMEC retained legal counsel fairly quickly which lead to the commencement of these proceedings. I therefore conclude that AMEC should not be denied the injunctive relief sought by reason of delay in asserting its opposition to Mr. Palmeter's stated future plans of reviving the Whitman Benn name.

Conclusion:

[39] Having found that the plaintiff has satisfied the three part test for the granting of injunctive relief, I direct that the defendants be enjoined until further order of the court from using the name Whitman Benn or any of its derivatives, that WBAL and Whitman Benn Inc. forthwith change their corporate names, and that Intrepid withdraw its application forthwith to register the name Whitman Benn as a trademark. I will await an order to this effect, and adding Whitman Benn Inc. as a party defendant, consented to as to form by all counsel.

[40] Where the underlying issue on this interlocutory application awaits a final determination at the trial of this action, I consider in the exercise of my discretion that the costs of this application ought to be treated as costs in the cause, which I hereby fix at \$1500 inclusive of disbursements.

