



Presenting Legal News, Views and Updates from  
**Stillman LLP**  
Barristers & Solicitors



### **EDITOR'S NOTE**

**Our office will be closed during the holiday season from 1:00 pm December 23, 2007 to December 29, 2008 inclusive and we will be closed January 1, 2009. Our office is open during regular business hours on December 29, 30 and 31, 2008, and January 2, 2009.**

**We wish you all the best this holiday season and a safe and happy New Year!**

**Should you have any questions, concerns or suggestions for future articles please contact Greg Bentz by phone at (780) 930-3630, or email at [gbentz@stillmanllp.com](mailto:gbentz@stillmanllp.com).**

### **HEADS UP**

*Heads Up is a column which appears in each issue of the Stillman LLP Legaleye, highlighting new or upcoming legislation and legal issues in the Province of Alberta.*

**What's in a name? - Divine Pet Spa Ltd. v Divine Doggies Spa & Boutique Inc., 2008 ABQB 618**

**By Sarah E. Moore**

A lot of time and effort goes into establishing a new business, and especially in choosing a name. You have to consider more than just what sounds good and will attract customers- you also need to consider your competitors- unless you want to end up in court.

Madam Justice C.L. Kenny granted an interim injunction against Divine Doggie Spa & Boutique Inc. which essentially forbade them from using the name they had incorporated and had been using for 6 months. The reason- there was potential confusion in the marketplace. The injunction wasn't a final order, but based on the test for an interim injunction set out in *RJR-MacDonald Inc. v. Canada (Attorney General)*, [1994] 1 S.C.R. 311:

- a) That there is a serious issue to be tried;
- b) That the applicant will suffer irreparable harm if no injunction is granted; and
- c) That the balance of convenience favours the applicant.

There was the potential that by using the name Divine Doggies Spa & Boutique Inc., the Respondent could be causing the Applicant, Divine Pet Spa Ltd. irreparable harm in terms of a loss of goodwill and degradation of its customer base. The fact that Divine Pet Spa had been operating in the Calgary and surrounding area for a greater period of time, and that the Divine Doggies Spa & Boutique's customer base was generated primarily from the new manager's existing clientele, the balance of convenience favoured the applicant, and an interim injunction was granted until the main action on the tort of passing off could be heard.

This case not only provides a good example of when an interim injunction can be granted, it also highlights the importance of doing the proper research, before you incorporate, and again before you start to carry on business. Sometimes doing the research before you enter into the market place isn't enough. In Alberta, a NUANS (Newly Updated Automated Name Search) search is required before you can incorporate a corporation, but merely running the search will not prevent a competitor from suing you for the tort of passing off.

The NUANS is a great starting point, but you need to research the market you are entering and take a close look at your competitors.

### **INSIDE:**

#### **HEADS UP:**

-a review of some recent and upcoming legislation and legal issues

#### **FIRM NOTES:**

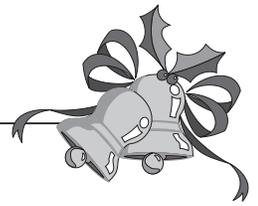
-update on the happenings at Stillman LLP

#### **CAUSES CÉLÈBRES:**

-some recent case law to be aware of

#### **AS WE SEE IT:**

-semi-annual commentary on a current legal issue



In this case, the NUANS search conducted by Divine Doggies Spa & Boutique didn't bring up Divine Pet Spa as a possible match, but that did not end the legal argument. To determine if there is confusion in the marketplace, and thus whether one's business will need to stop using a name that they intend on using, one can look to the *Trade-marks Act*, R.S.C. 1985, c. T-13 which sets out some factors to be considered in deciding if a trade name is confusing:

- s. 6(5) In determining whether trade-marks or trade-names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including
- (a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;
  - (b) the length of time the trade-marks or trade-names have been in use;
  - (c) the nature of the wares, services or business;
  - (d) the nature of the trade; and
  - (e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.

Even if you think you have done all the research and that you have found a unique and distinct name, you might want to take a look at your competitors and ask yourself the above questions to be sure that you won't be squaring off in court rather than in the marketplace. In any event, you should consult a lawyer with all the particulars so as to minimize your business's exposure.

## FIRM NOTES

Stillman LLP's fourth annual Super Bowl Bowling Extravaganza took place on October 24, 2008 and was once again, an enormous success. The event raised in excess of \$27,000.00 for International Child Care. The Canadian International Development Agency (CIDA) is matching our fundraising efforts at a ratio of 3:1 and therefore the amount we have raised translates to over \$108,000.00 with CIDA's matched funding. This year, one hundred percent of the proceeds are going to fund the Maternal Health Program in Haiti where there is a very high maternal and infant mortality rate. To all of the participants, sponsors, donors and volunteers, we once again extend our thanks for all your help and support in putting on this great event and supporting such an excellent charity.

We are pleased to advise that Danielle Borgia, who has been working part-time with our firm for nearly two years while taking the Legal Assistants program at Grant MacEwan College, has accepted a permanent position with our firm as a legal assistant, upon her graduation this coming spring.

Mark Stillman has again agreed to act as an assessor for the interviewing and counselling competency evaluation section of the 2008-2009 Canadian Centre for Professional Legal Education Program.

## CAUSE CÉLÈBRES

*RBC Dominion Securities Inc. v Merrill Lynch Canada Inc. et al.*, 2008 SCC 54

By Geoff Coombs

A recent decision of the Supreme Court of Canada dealing with individuals competing with their former employer is worthy of note as it may create a new level of duty that managers owe to their employers.

In 2000, the Branch Manager of RBC Dominion Securities Inc. ("RBC") in Cranbrook, British Columbia left to join the Cranbrook branch of Merrill Lynch Canada Inc. ("Merrill Lynch"). At the same time virtually all the other RBC Investment Advisors also moved to Merrill Lynch. Neither the Branch Manager nor any of the other departing employees provided advance notice to RBC. The departing employees also took copies of the RBC client records. RBC's Cranbrook branch was practically "gutted" and all-but collapsed.

RBC sued its former employees for failure to give reasonable notice, breach of fiduciary duty, misuse of confidential information, and breach of an implied contractual term not to compete unfairly upon leaving its employer. RBC also sued Merrill Lynch for inducing the employees to terminate their employment without notice and for inducing them to breach their contractual obligations not to compete unfairly. RBC sought amongst other things, the loss of profits over a five-year period.

The Trial Judge found that the Branch Manager had breached his implied duty to faithfully perform his employment duties by promoting and coordinating the departure. Given that this breach resulted in a near collapse of the RBC's Cranbrook branch, the Branch Manager was found liable for a RBC's loss of profits for a 5 year period (almost \$1.5M). Merrill Lynch was found to have induced the employees to breach their duties to RBC and so it was found jointly and severally liable for all damages.

The Court of Appeal and the Supreme Court of Canada rejected the Trial Judge's finding that the departed employees were under an implied duty not to compete with their former employer. The Supreme Court reaffirmed that a departing employee is free to compete with his or her employer during the notice period, and unless the departing employee is guilty of specific wrongs such as improper use of confidential information or breach of a restrictive covenant (which could include a promise not to compete) or a fiduciary duty, the employer is confined to damages for failure to give reasonable notice.

At paragraph 19 of the decision, Madame Chief Justice McLachlin stated that:

"An employee terminating his or her employment may be liable for failure to give reasonable notice and for breach of specific residual duties. **Subject to these duties, the employee is free to compete against the former employer.**"



The Court confirmed that fiduciary duties are expected from individuals in whom a very high level of commitment, confidence and trust has been placed; they include individuals who have a significant amount of control over the corporation and thus are expected to act in the best interests of the corporation. Generally, they attach to Directors and Officers of the corporation, but not necessarily to its managers.

However, and of note, notwithstanding the Branch Manager did not have fiduciary duties to RBC, the Supreme Court of Canada held that the Branch Manager’s duty of good faith to his employer included an implied term that he must try to keep retained the employees of RBC at RBC. By coordinating the departure to Merrill Lynch, the Branch Manager had breached this duty and the damages for that breach were the amount of loss it caused to RBC.

In the Decent, Madame Justice Abella, disagreed with the Majority’s novel decision with respect to an implied duty by the Branch Manager. In her Ladyship’s view this imposed an unfair obligation notwithstanding no fiduciary duty was found. Madame Justice Abella found that this expanded characterization of the implied duty represented “a significant reformulation and extension of how courts have interpreted and applied a non-fiduciary employee’s implied duty of good faith.” At paragraph 51 of the decision, she went on to state that:

“Injecting such an enhanced content into the implied duty of good faith of a non-fiduciary employee has the effect of creating a new legal category of “quasi-fiduciary” employee, a subset the law has yet to recognize.”

Notwithstanding the Decent of Madame Justice Abella, this case opens new implied and unwritten obligations of employees to employers when the employee decides to terminate the employment relationship. In particular, for employees in management positions, the implied duty of good faith owed to their former employer may include an obligation, that despite their recent departure from said employer, is to actively try to have the other employees stay or remain with said employer.

This novel obligation is something for both employers and employees to be aware of in negotiating both employment contracts and termination agreements.

**AS WE SEE IT**

**THE LAW SOCIETY’S NEW RULES ON KNOWING AND VERIFYING “THE CLIENT”**

**By Christopher G. Hoose**

Effective December 31<sup>st</sup>, 2008, all law firms in Alberta will be forced to adhere to the Federation of Law Societies of Canada’s Model Rule on Client Identification and Verification (the “Model Rule”). The Model Rule is the latest in initiatives advanced to

deter and prevent money laundering and terrorist financing, while attempting to balance the public interest in an independent legal profession. Previously, the Law Society of Alberta had instituted a “no cash” rule preventing lawyers from receiving cash in amounts over \$7,500.

This article will attempt to set out in as clear a manner what these changes mean for you, the public, when dealing with the legal profession starting December 31, 2008. The Model Rule places separate onuses on lawyers to both identify and verify their clients.

**Identification**

Starting December 31, 2008, whenever a lawyer is retained by an individual to provide legal services, the lawyer must obtain and record the following information:

- a) the client’s full name;
- b) the client’s business address and business telephone number, if applicable;
- c) the client’s home address and home telephone number; and
- d) the client’s occupation.

If a lawyer is retained to provide services to an organization (corporation, partnership, fund, trust, cooperative or unincorporated association), the lawyer must obtain and record the following information:

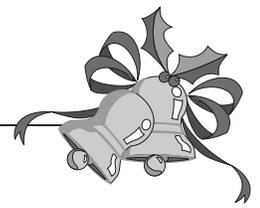
- a) The client’s full name, business address and business telephone number;
- b) The client’s incorporation or business identification number, and the place of issue of such;
- c) The general nature of the client’s business or activity in which the client is engaged; and
- d) The name, position and contact information for any individual authorized to give instructions with respect to the matter for which the lawyer is retained.

The lawyer is not required to obtain the above information if:

1. The lawyer is providing services to their employer ( i.e. in house counsel);
2. The lawyer is acting as agent for another lawyer who has already identified the client; or
3. If the lawyer is acting for a client who has been referred by another lawyer who has already identified the client.

**Verification**

The verification requirements will apply starting December 31, 2008 whenever a lawyer receives, pays or transfers funds on behalf of a client, or instructs a third party to do so on behalf of the client. Some examples of when the verification rules do not apply are when funds are paid by or to a financial institution, a public body or a company that is not a private company, paid to or received by another lawyer in trust directed by the client, paid



or received pursuant to a court order or to pay a fine or penalty or paid or received in a settlement.

Lawyers to whom the verification requirements apply will be required to verify the identity of individuals at the time the lawyer is engaged to receive, pay or transfer funds on behalf of any client. The lawyer shall:

- a) take reasonable steps to verify the individual’s identity;
- b) obtain and retain copies of reliable, independent source documents including driver’s licenses, birth certificates, health insurance cards or passports;
- c) if the client is outside of Canada, the lawyer must retain an agent to verify the client’s identity, enter a written agreement with the agent, have the agent prepare an attestation and obtain the information from the agent;
- d) if the client is inside Canada, but not physically present, the lawyer must:
  - i) verify the client’s identity by obtaining an attestation from a commissioner for oaths or a guarantor in Canada;
  - ii) the commissioner or guarantor must confirm that he/she has seen one of the independent source documents in b) above;
  - iii) the attestation must be produced on a legible copy of the document, contain a statement that the guarantor has seen the document and include the name, profession, address and signature of the commissioner or guarantor

For an organization, the process of verification is much the same as for an individual, however the lawyer will have the onus of consulting a government registry or the client to obtain confirmation of the existence, name and address of the organization, the names of its directors and officers, appropriate source documents (constating documents, articles of association, certificates of status or annual returns) and minute books where available.

In all, the new Model Rule places a very high onus on the applicable legal professionals to both identify their client, and verify the client. It is our opinion that many of the standards set out in the Model Rule will place an enormous administrative burden on lawyers and their administrative support staff in order to ensure that all standards are met.

For you, “the client”, the Model Rule will result in much more invasive initial and subsequent meetings with your lawyer as we attempt to meet our legal obligations under the Model Rule to identify and verify you.

For further information and a much more detailed discussion of the above, please see the materials on the Law Society of Alberta Website at [www.lawsocietyalberta.com](http://www.lawsocietyalberta.com).

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*Stillman LLP is a general law firm formed in 1993 with emphasis on Civil Litigation, Corporate and Commercial matters, Real Estate, and Wills and Estates and Family Law. The firm represents clients throughout Alberta, and has also represented clients from British Columbia, Saskatchewan, Manitoba, Yukon, Northwest Territories, Ontario, Quebec and various parts of the United States.*

*The firm has a well established network of agents in Canada, including Vancouver, Vancouver Island, Calgary, Regina, Saskatoon, Winnipeg, Toronto and Montreal. Stillman LLP also has established affiliations with various law firms throughout the United States and Great Britain.*

### “COMMON SENSE SOLUTIONS” ®

*This newsletter contains general information only. It may not apply to your specific situation depending on the facts. The information herein is to be used as a guide only, and not as a specific legal interpretation.*