



LE REGISTRAIRE DES MARQUES DE COMMERCE
THE REGISTRAR OF TRADE-MARKS

Citation: 2014 TMOB 122
Date of Decision: 2014-06-16

IN THE MATTER OF SECTION 45 PROCEEDINGS
requested by Morency Société d'avocats LLP against
registration No. TMA331,732 for the trade-mark
SHAKEY'S PIZZA RESTAURANT & Design and
registration No. TMA188,275 for the trade-mark
SHAKEY'S in the name of Shakey's International
Limited.

Introduction

[1] On March 5, 2012 at the request of Morency Société d'avocats LLP (the Requesting Party) the Registrar forwarded two notices (individually or collectively referred to as 'the notice') under section 45 of the *Trade-marks Act*, RSC 1985, c T -13 (the Act) to Shakey's International Limited (the Registered Owner), one notice concerning registration No. TMA188,275 for the trade-mark SHAKEY'S (Mark 1) and the other one with respect to registration No. TMA331,732 for the trade-mark SHAKEY'S PIZZA RESTAURANT & Design as shown below:



(Mark 2).

[2] Registration No. TMA188,275 covers pizzas and ingredients for making same, namely, flour blends for making dough, and spice blends for seasoning and flavoring purposes (the Wares).

[3] Registration No. TMA331,732 covers pizza restaurant and take-out services (the Services).

[4] In response to the notice received, the Registered Owner filed in each case an identical affidavit of Ho Cheng Leong, together with Exhibits A to C. The parties' written arguments are identical in both files. No hearing was held.

[5] For the reasons that follow I conclude that registrations No. TMA188,275 and No. TMA331,732 ought to be expunged.

The law

[6] The notice required the Registered Owner to show whether Mark 1 and Mark 2 had been used in Canada in association with the Wares and the Services respectively at any time within the three-year period immediately preceding the date of the notice and, if not, the date when it was last in use and the reason for the absence of use since that date. The relevant period in this case is any time from March 5, 2009 to March 5, 2012 (the Relevant Period).

[7] Section 45 proceedings are simple, expeditious and serve the purpose of clearing the register of "deadwood"; as such, the threshold test to establish use is quite low [see *Woods Canada Ltd v Lang Michener* (1996), 71 CPR (3d) 477 (FCTD)].

[8] A simple allegation of use of Mark 1 and Mark 2 is not sufficient to evidence their use in association with the Wares and Services within the meaning of section 4 of the Act. There is no need for evidentiary overkill. However, any ambiguity in the evidence filed shall be interpreted against the owner of the Mark [See *Plough (Canada) Ltd v Aerosol Fillers Inc* (1980), 53 CPR (4th) 62 (FCA)].

[9] I therefore must first determine if I am satisfied that the evidence to be described enables me to conclude that Mark 1 and Mark 2 had been used by the Registered Owner in Canada in association with the Wares and Services respectively during the Relevant Period.

The evidence relating to use

[10] Mr. Leong has been the Director of the Registered Owner since September 2010 but has worked in other positions with the Registered Owner since 2000. He provides some historical background about the Registered Owner's commercial activities that began in Sacramento, California in 1954. He further alleges that the first Shakey Pizza Restaurant in Canada opened in 1968 in Winnipeg, Manitoba. Mr. Leong does not furnish any further information on this restaurant. As it will become apparent from the rest of the evidence, I can only assume that this restaurant has not been in operation during the Relevant Period.

[11] Mr. Leong's affidavit contains further informative facts about the Registered Owner's commercial activities throughout the world but nothing, except for what will follow, relating to business activities in Canada.

[12] Mr. Leong goes on to state that in 2000 the Registered Owner opened a 'pizza restaurant franchise' in Prince George, British Columbia under the trade-mark SHAKEY'S. In support of such allegation Mr. Leong filed as Exhibit A a copy of the restaurant menu apparently used in May 2001 as appears from a letter attached to it. He also filed as Exhibit B a copy of a store evaluation. Those facts took place more than 8 years prior to the beginning of the Relevant Period and thus are irrelevant to the issue of use of Mark 1 and/or Mark 2 during the Relevant Period. Moreover Mr. Leong asserts that the franchise located in Prince George closed in 2003 owing to poor sales, as the result of a decline in the timber industry in British Columbia.

[13] I wish to point out that, in any event, the trade-mark appearing on the menu is the word mark SHAKEY'S PIZZA. The menu certainly cannot constitute evidence of use of Mark 1 in association with the Wares within the meaning of section 4(1) of the Act. Finally, Mark 2 is not reproduced on the aforesaid menu. There are references to SHAKEY'S and SHAKEY'S PIZZA in what appears to be the back of the menu which provides some historical and general

information. For example there is the following inscription: ‘Get your child involved with Shakey’s Reading Rewards Program being offered at all Prince George Elementary Schools’.

[14] Mr. Leong alleges that in 2001 the Registered Owner commenced franchise negotiations with an investment company located in Beaver Creek, British Columbia. He filed as Exhibit C to his affidavit a copy of correspondence along with what appears to be a franchise agreement duly executed by the Registered Owner and a representative of the franchisee. However, despite this executed copy of a franchise agreement, Mr. Leong states that no agreement was reached. I can only assume that this franchise never operated and no reasons were provided to explain such situation.

Conclusion concerning use of Mark 1 and Mark 2

[15] From this evidence I conclude that there has been no evidence of use of Mark 1 in association with the Wares within the meaning of section 4(1) of the Act and no evidence of use of Mark 2 in association with the Services within the meaning of section 4(2) of the Act, at any time during the Relevant Period.

[16] Therefore what remains to be decided is whether the Registered Owner has alleged facts that would be considered as special circumstances within the meaning of section 45(3) of the Act that would excuse the absence of use of Mark 1 and Mark 2 in Canada during the Relevant Period.

Evidence of special circumstances

[17] Aside from the negotiations with an investment company in 2001 to operate a franchise in Cache Creek, British Columbia that never materialized, Mr. Leong adds the following:

7. MY COMPANY continues to make efforts to put the SHAKEY’S PIZZA RESTAURANT& Design and SHAKEY’S trade-marks into use in Canada and intends to re-establish its rights in Canada. More particularly, in late 2006 Chiram Strategic Group bought and became the owner of MY COMPANY, the intention of the group was to rebrand and to strategize for future growth in the Asia Pacific of which Canada will feature prominently. Hong Kong would be the showcase of the rebranding, in which subsequently MY COMPANY opened six stores. MY COMPANY has

invested in rewriting the standard operations procedures, introducing new menus and new logos as well as business modules. Since 2006, MY COMPANY has opened six stores in Hong Kong and, in 2011, the group commenced franchising in other countries. In the third quarter of 2012, Shakey's Singapore was franchised and will be operating 3 stores in 2013. There are ongoing negotiations with a few other countries such as Maldives, India, Indonesia and Thailand. MY COMPANY is planning to expand our marketing activities for franchising into Europe and the Americas, including Canada.

8. The nature of MY COMPANY'S services are such that when a restaurant that is part of a global chain closes, it can, at times, take several years to establish a new franchise. This process can be lengthy even when the restaurant franchise owner is diligent in pursuing new business as is the case in respect of MY COMPANY'S efforts to re-open in Canada. Unfortunately, MY COMPANY, and others like it, cannot control the availability of new franchisees. If a franchisee were available, MY COMPANY would re-open a Canadian restaurant. Furthermore, the opening and closing of restaurant franchises is a very normal part of the business cycle involved in the operation of a global restaurant franchise.

[18] I make mine the following comments made by my colleague Kathryn Barnett in *Ferstman Law Office v S M Jaleel & Co* (2011), 94 CPR (4th) 470 (TMOB) about the applicable criteria to determine if there is evidence of special circumstances justifying non-use of a trademark:

9 A determination of whether there are special circumstances excusing non-use involves the consideration of three criteria:

(i) the length of time during which the mark has not been in use;

(ii) whether the reasons for non-use were due to circumstances beyond the control of the registered owner; and

(iii) whether there exists a serious intention to resume use shortly. [*Canada (Registraire des marques de commerce) c. Harris Knitting Mills Ltd.* (1985), 4 C.P.R. (3d) 488 (Fed. C.A.)]

With respect to the second criteria, "circumstances beyond the owner's control" mean "circumstances that are unusual, uncommon or exceptional" [*John Labatt Ltd. v. Cotton Club Bottling Co.* (1976), 25 C.P.R. (2d) 115 (Fed. T.D.)].

10 The decision of *Scott Paper Ltd. v. Smart & Biggar* (2008), 65 C.P.R. (4th) 303

(F.C.A.) offered further clarification with respect to the interpretation of the special circumstances criteria in *Harris Knitting supra*. In particular, the Court determined that the proper test when assessing whether there are special circumstances, which would excuse non-use of a mark, must refer to the cause of the absence of use, and not to some other consideration. It would appear from this analysis, that the second criterion of the *Harris Knitting* test must be satisfied in order for there to be a finding of special circumstances excusing non-use of a mark. However, as I understand it, this is not to say that the other two criteria are not relevant factors to consider, but just that those factors, in isolation, cannot constitute special circumstances. Indeed, the relevance of the first criterion is apparent, as reasons that may excuse a brief period of non-use, may not excuse an extended period of non-use [*Harris Knitting, supra; Goldwell Ltd., Re* (1974), 29 C.P.R. (2d) 110 (Reg. T.M.)]. In any event, the intent to resume use must be substantiated by the evidence (*Arrowhead Spring Water Ltd. v. Arrowhead Water Corp.* (1993), 47 C.P.R. (3d) 217 (Fed. T.D.); *NTD Apparel Inc. v. Ryan* (2003), 27 C.P.R. (4th) 73 (Fed. T.D.)).

[19] Applying these principles to the evidence on hand I conclude that the Registered Owner failed to establish special circumstances that would justify the non-use of Mark 1 and Mark 2 in Canada during the Relevant Period for the following reasons.

[20] Firstly, the Registered Owner did not provide, as required by the provisions of section 45(3) of the Act, the date of last use of Mark 1 in association with the Wares, as outlined above. I reach a similar conclusion with respect to the date of last use of Mark 2 in association with the Services as the trade-mark last in use in association with the Services was either SHAKEY'S or SHAKEY'S PIZZA, both word marks which cannot be considered use of Mark 2 illustrated above.

[21] Even if I were to consider the use of either of these trade-marks as use of the Mark 2 in association with the Services, I would still conclude that the Registered Owner has not established special circumstances justifying non-use of that trade-mark in Canada during the Relevant Period.

[22] The last time the word marks SHAKEY'S or SHAKEY'S PIZZA were in use in Canada in association with the Services was in 2003, more than 9 years prior to the issuance of the notice. This long delay certainly goes against the Registered Owner.

[23] The Registered Owner argues that there has been evidence of a 'recent acquisition'. However such alleged acquisition described by Mr. Leong took place in 2006, 3 years prior to

the Relevant Period and 3 years after the alleged date of last use of the trade-marks SHAKEY'S and/or SHAKEY'S PIZZA. The Registered Owner considers this period of nearly six years 'not a significant amount of time within which to develop and re-launch a business'. I beg to differ. The bare statement of Mr. Leong that 'it can, at times, take several years to establish a new franchise', cannot, by itself, form the basis of a justification of non-use over such a long period of time. More explanations need to be furnished that would make plausible the fact that the Registered Owner has not been able to find a single franchisee since 2003. Finally there is no evidence of concrete efforts made by the Registered Owner to locate a new franchise in Canada between 2006 and March 2012. Mr. Leong did not state that those difficulties were specific to the Canadian market. Yet since 2006 the Registered Owner was able to open six stores in Hong Kong.

[24] The Registered Owner relies on the Registrar's decision in *Lapointe Rosenstein LLP v West Seal Inc* (2012), 103 CPR (4th) 136 (TMOB) where it was mentioned that the maximum start-up time for a registrant to commence serious commercial use in Canada was three years. In our case since there was an acquisition in 2006, the Registered Owner argues that the period of non-use since then is only two and a half years.

[25] The Registrar in *Lapointe Rosenstein LLP* did not discuss the effect of an acquisition over the period of time of non-use. He simply mentioned that by virtue of the provisions of section 45(1) of the Act any person may seek the cancellation of a registration only after three years have elapsed subsequent to the registration. That was the context in which the comment was made about a registrant having three years to commence serious commercial use in Canada of its registered trade-mark. This reasoning is not applicable to our situation as registration No. TMA188,732 issued in February 1973 and registration No. TMA331,732 issued in September 1987.

[26] As for the third factor enumerated in *Harris Knitting*, Mr. Leong does not state when the Registered Owner envisages resuming the use of Mark 2 in Canada in association with the Services. He states that the Registered Owner 'is diligent in pursuing new business as is the case in respect on MY COMPANY's efforts to re-open in Canada'. However where is the evidence of those efforts to locate a new franchisee in Canada? The last attempt goes back to 2001 as

described above. As stated in *Arrowhead* we are ‘left in the dark as to how long the duration of non-use will persist’. Therefore those facts go against the Registered Owner.

[27] Lastly as outlined in *Fertsman* above, the Registered Owner must satisfy the second factor mentioned in *Harris Knitting*. The Registered Owner argues that it had no control on the reasons that lead to the closing of its operation in Prince George, British Columbia, namely due to a dramatic decline in the timber industry. Even if I were to accept such argument, it remains that such closing took place in 2003 and since then the Registered Owner has not been able to resume commercial activities in Canada. No details have been provided as to the efforts made by it to try to find new franchisees in Canada, except for an attempt to open a restaurant in Cache Creek, British Columbia in 2001. Over 10 years have elapsed between such attempt and the issuance of the notice. No further attempts have been alleged by Mr. Leong.

[28] The Registered Owner also pleads that the loss of a franchisee is equivalent to the loss of a distributor. Such loss may constitute special circumstances relieving the registrant of the normal requirement to prove use. To support such contention the Registered Owner refers to some case law.

[29] In *Wolfe Bazinet v Labelmasters Canada Inc.* (1995), 60 CPR (3d) 106 (TMOB) Senior Hearing Officer Ms. Savard clearly indicated that the loss of a distributor could conceivably constitute special circumstances excusing non-use of a mark for a certain period. However, in such a case, the registrant must describe the steps taken to rectify the situation or must provide details concerning such situation. No details have been provided on the steps taken by the Registered Owner in Canada to locate a new franchisee.

[30] In *Rogers, Bereskin & Parr v Canada (Registrar of Trade-marks)* (1987), 17 CPR (3d) 197 (FCTD) Mr. Justice Collier referred to *Harris Knitting* where it was decided that poor market conditions alone would not be considered special circumstances justifying non-use. Such a situation must be combined with another factor beyond the control of the registrant. In that case the Court agreed with the Registrar’s conclusion that the combination of poor market conditions and lack of production facilities amounted to special circumstances within the meaning of section 45(3) of the Act.

[31] The Registered Owner relies also on *Ridout & Maybee v Sealy Canada Ltd/Ltée* (1998), 83 CPR (3d) 269 (TMOB). However that decision was appealed. Even though the appeal was dismissed [see *Ridout & Maybee v Sealy Canada Ltd/Ltée* (1999), 87 CPR (3d) 307 (FCTD)] the Court ruled that the Registrar was wrong in concluding that non-use of the mark in issue was beyond the control of the registrant. However in that case the Court maintained the registration because among other things, the registrant proved that it took active steps during the relevant period to resume use of the mark and in fact showed use of the mark shortly after the relevant period. Mr. Leong has not provided similar facts in his affidavit.

[32] The Registered Owner cites *Ferstman, supra* to support its contention that the closing of the franchise due to economic conditions in 2003, coupled with the subsequent acquisition of the Registered Owner by Chiram Strategic Group in 2006 would constitute special circumstances justifying non-use of Mark 1 and Mark 2 in Canada during the Relevant Period. The facts leading to a conclusion that special circumstances existed justifying non-use of the mark in *Ferstman* are easily distinguishable from the facts of this file.

[33] In *Ferstman* the relevant period began on January 20, 2006. In 2005 the registrant lost its distributor and in 2006 its Canadian co-packer. The registrant filed evidence that it attended trade shows in 2006 to secure a distribution network in Canada. Also efforts were made in 2007 to locate a new distributor. In 2008 serious negotiations began with a potential new distributor which lead to an order placed just 8 days subsequent to the relevant period. All these facts lead to the conclusion reach by the Registrar. There are no similar facts in evidence in this file.

[34] It clearly appears from the allegations contained in paragraph 7 of Mr. Leong's affidavit that the Registered Owner made a voluntary decision to prioritize other business interests over making efforts in Canada. There is no reference to efforts made in Canada to locate any new franchisees. Therefore, this business decision cannot be considered as circumstances beyond the control of the Registered Owner [see *Smart & Biggar v Rick Worobec* 2012 TMOB 146 and *Exxon Mobil Oil Corp v Mövenpick Hoding AG* (2013), 115 CPR (4th)115 (TMOB)].

[35] Finally, the Registered Owner argues that it is only required to demonstrate reasons for non-use since the acquisition and show it had a serious intention, before it received the notice from the Registrar, to resume use. It refers to the Registrar's decision in *Baker & McKenzie v*

Garfield's Fashions Ltd (1993), 52 CPR (3d) 274 (TMOB). In that decision the Registrar concluded, from the evidence filed, that 'it appears that use will commence shortly'. I do not have any allegation in this file that could lead me to conclude that the Registered Owner intends to resume use of Mark 1 and Mark 2 in Canada shortly. More than six years have elapsed from the acquisition of the Registered Owner by Chiram Strategic Group and the end of the Relevant Period. During that time no concrete steps have been taken to try to find a new franchisee in Canada. The last attempt goes back to 2001.

Disposition

[36] Having concluded that the Registered Owner failed to show use of Mark 1 in association with the Wares during the Relevant Period and use of Mark 2 in association with the Services during the Relevant Period; and that the Registered Owner failed to establish that there were special circumstances justifying such non-use of those marks in Canada during the Relevant Period; pursuant to the authority delegated to me under section 63(3) of the Act and in accordance with section 45 of the Act, registration No TMA188,275 for the trade-mark SHAKEY'S and registration No TMA331,732 for the trade-mark SHAKEY'S PIZZA RESTAURANT & Design will be expunged from the register.

Jean Carrière
Member
Trade-marks Opposition Board
Canadian Intellectual Property Office