



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

Citation: 2019 TMOB 43

Date of Decision: 2019-05-29

IN THE MATTER OF A SECTION 45 PROCEEDING

McDougall Gauley LLP

Requesting Party

and

2001237 Ontario Limited

Registered Owner

TMA651,790 for TRAX Design

Registration

[1] This is a decision involving a summary expungement proceeding with respect to registration No. TMA651,790 for the trade-mark TRAX Design (the Mark), owned by 2001237 Ontario Limited, shown below:



[2] The Mark is currently registered in association with the following goods:

(1) Shoes and sneakers but excluding any footwear relating to or associated with the sport of skiing; wearing apparel namely, men's, ladies and children's shirts, blouses, sweaters, jackets, pants and shorts.

[3] For the reasons that follow, I conclude that the registration ought to be expunged in its entirety.

THE PROCEEDINGS

[4] On January 6, 2017, the Registrar of Trade-marks sent a notice under section 45 of the *Trade-marks Act*, RSC 1985, c T-13 (the Act) to 2001237 Ontario Limited (the Owner). The notice was sent at the request of McDougall Gauley LLP (the Requesting Party).

[5] The notice required the Owner to furnish evidence showing that it had used the Mark in Canada, at any time between January 6, 2014 and January 6, 2017, in association with each of the goods specified in the registration. If the Mark had not been so used, the Owner was required to furnish evidence providing the date when the Mark was last in use and the reasons for the absence of use since that date.

[6] The relevant definition of use is set out in section 4(1) of the Act as follows:

4(1) A trade-mark is deemed to be used in association with goods if, at the time of the transfer of the property in or possession of the goods, in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred.

[7] It is well established that the purpose and scope of section 45 of the Act is to provide a simple, summary, and expeditious procedure for removing “deadwood” from the register. As such, the evidentiary threshold that the registered owner must meet is quite low [*Uvex Toko Canada Ltd v Performance Apparel Corp*, 2004 FC 448] and “evidentiary overkill” is not required [see *Union Electric Supply Co v Canada (Registrar of Trade Marks)* (1982), 63 CPR (2d) 56 (FCTD)]. Nevertheless, sufficient facts must still be provided to allow the Registrar to conclude that the trade-mark was used in association with each of the registered goods.

[8] In the absence of use as defined above, pursuant to section 45(3) of the Act, a trade-mark is liable to be expunged, unless the absence of use is due to special circumstances.

[9] In response to the Registrar’s notice, the Owner furnished the affidavit of Paul E. LeBlanc, the President and co-owner of the Owner, sworn August 3, 2017, together with Exhibits A to E.

[10] Both parties filed written representations. However, an oral hearing was not requested.

THE EVIDENCE

[11] Mr. LeBlanc attests that the Owner is in the business of supplying footwear to the Canadian market.

[12] Mr. LeBlanc attests that in addition to being President and co-owner of the Owner, he is President and co-owner of Millennium Footwear Incorporated [“Millennium Footwear”], which is affiliated with the Owner and shares office space with the Owner. Mr. LeBlanc attests that as he is the president of both the Owner and Millennium Footwear, the Owner has exercised *de facto* control over the character and quality of goods sold in association with the Mark. More specifically, he provides a sworn statement that the Owner has exercised and continues to exercise control over the character and quality of the goods sold by Millennium Footwear Inc. under the Mark.

[13] Mr. LeBlanc states that through Millennium Footwear, the Owner sold the registered goods [referred to collectively in his affidavit as “the Goods”] in association with the Mark until approximately 2011. He states that these Goods were sold to The Bargain! Shop [“Bargain”] and

Hart Stores [“Hart”], which were its two largest accounts for sale of the Goods. He attests that Bargain commenced court-supervised restructuring proceedings in 2013, and that Hart was granted bankruptcy protection in 2011. As a result of these proceedings, the Owner’s insurance provider would no longer insure these retailers. Accordingly, Mr. LeBlanc explains that the Owner was unable to fulfill any new orders or ship Goods to these companies as doing so would expose the Owner to significant financial risk.

[14] Mr. LeBlanc states that the Owner always intended to resume use of the Mark in association with the Goods, and has formed a new relationship with Fields Stores Limited [“Fields”], a discount store with locations in Western Canada. He states that Fields has agreed to carry men’s slippers bearing the Mark, and provides, as Exhibit C, a copy of a purchase order to Shine Foundation Limited dated February 3, 2017, for the manufacture of men’s slippers bearing the Mark. He attests that this order was made to fulfill the Fields order.

[15] Mr. LeBlanc attests that Millennium Footwear received production samples of slippers bearing the Mark in August 2017, and attaches, as Exhibit D, a photograph of slippers bearing the Mark, which he states are representative of what will be shipped to Fields. He further attaches, as Exhibit E, a photograph of tags bearing the Mark which he states are representative of tags which will be attached to the slippers to be sent to Fields.

ANALYSIS AND REASONS FOR DECISION

[16] The Requesting Party makes two submissions: that the Owner has not established that it maintains control over the character and quality of the registered goods or that Millennium Footwear is licensed to use the Mark; and that the Owner has not established special circumstances excusing non-use of the Mark.

[17] The Requesting Party submits that Mr. LeBlanc’s assertions regarding the corporate relationship between the Owner and Millennium Footwear are mere assertions unsubstantiated by evidence. Similarly, the Requesting Party submits that Mr. LeBlanc’s statement that the Owner exercises control over the character and quality of the goods sold by Millennium Footwear is a bare assertion and is ambiguous as to how such control is exercised.

[18] As stated by the Federal Court, there are three main methods by which a trade-mark owner can demonstrate the requisite control pursuant to section 50(1) of the Act: first, by clearly attesting to the fact that it exerts the requisite control; second, by providing evidence demonstrating that it exerts the requisite control; or third, by providing a copy of the license agreement that provides for the requisite control [*Empresa Cubana Del Tobacco Trading v Shapiro Cohen*, 2011 FC 102 at para 84]. Applied to the present case, Mr. LeBlanc has made a clear, unambiguous sworn statement attesting to the Owner's control over the character and quality of the registered goods, as well as statements of fact regarding his position and ownership of both entities from which control can be inferred [*Lindy v Canada (Registrar of Trade Marks)*, [1999] FCJ No 682 at para 9 (FCA); *Smart & Biggar v Powers* (2001), 16 CPR (4th) 276 at para 10 (TMOB)]. Therefore, the Owner has met two of the three steps of the *Empresa Cubana* test and has demonstrated the requisite control pursuant to section 50(1) of the Act.

[19] On the second issue, the Owner has not claimed to have used the Mark during the relevant period. Therefore, the issue in this case is whether, pursuant to section 45(3) of the Act, special circumstances existed to excuse non-use of the Mark during the relevant period.

[20] To determine whether special circumstances have been demonstrated, the Registrar must first determine why the trade-mark was not used during the relevant period. Second, the Registrar must determine whether those reasons for non-use constitute special circumstances [*Canada (Registraire des marques de commerce) c Harris Knitting Mills Ltd* (1985), 4 CPR (3d) 488 (FCA) [*Harris Knitting*]]. Special circumstances are circumstances or reasons that are unusual, uncommon, or exceptional [*John Labatt Ltd v Cotton Club Bottling Co* (1976), 25 CPR (2d) 115 (FCTD) [*John Labatt*]].

[21] If the Registrar determines that the reasons for non-use constitute special circumstances, the Registrar must still decide whether such circumstances excuse the period of non-use. This determination involves the consideration of three criteria: (1) the length of time during which the trade-mark has not been in use; (2) whether the reasons for non-use were beyond the control of the registered owner; and (3) whether there exists a serious intention to shortly resume use [per *Harris Knitting, supra*]. All three criteria are relevant, but satisfying the second criterion is

essential for a finding of special circumstances excusing non-use [per *Scott Paper Ltd v Smart & Biggar*, 2008 FCA 129 [*Scott Paper*]].

Do the reasons for non-use constitute special circumstances?

[22] In this case, Mr. LeBlanc puts forward the bankruptcies of Bargain and Hart as circumstances leading to non-use of the Mark. However, there is no evidence to suggest that the Owner's failure to secure alternate distributors during the relevant period was anything but a business decision. Mr. LeBlanc describes Bargain and Hart as the Owner's "two largest accounts"; this statement implies that others existed, yet there is no information regarding any such accounts, nor why the Owner could not make use of alternate distributors to sell the registered goods. As such, I am unable to conclude that the circumstances described in Mr. DeSimone's affidavit are so "unusual, uncommon or exceptional" that they meet the standard of special circumstances as articulated in *John Labatt, supra*, particularly in light of the five-year period of non-use.

Would the circumstances excuse non-use?

[23] In any event, even if I were to accept that the delay in commencing use could be considered "unusual, uncommon or exceptional" circumstances, I am not satisfied that they *excuse* the period of non-use in this case. In this respect, I am not satisfied that the Owner has satisfied the criteria set out in *Harris Knitting, supra*.

[24] With respect to the first criterion, generally, a registered owner must state or otherwise provide evidence as to when the trade-mark was last used. In this case, the Owner submits that Mr. LeBlanc's affidavit establishes use of the Mark in association with the registered goods between 2005 and 2011 through sworn statements that such goods were distributed to Bargain and Hart and corresponding photographic evidence. The Requesting Party submits that the Owner's evidence is insufficient to establish use during this time period; however, I am satisfied that the Owner's evidence establishes that the Owner used the Mark in association with the registered goods until approximately 2011. This period of at least five years of non-use weighs heavily against the reasons justifying the non-use of the Mark, especially given that the Owner's

own evidence shows that the bankruptcy of Bargain did not occur until 2013, and no explanation is provided for this period of non-use.

[25] With respect to the second criterion of the *Harris Knitting* test, the Requesting Party submits that the circumstances described by Mr. LeBlanc are not beyond the Owner's control, noting that poor market conditions or inability to find suitable distributors are not special circumstances, following *Lander Co Canada Ltd v Alex E Macrae & Co* (1993), 46 CPR (3d) 417 (FCTD) [*Lander*], *Coltex BV v Nasri Frères International Inc* (2009), 72 CPR (4th) 253 (TMOB), *Aird & Berlis LLP v Virgin Enterprises Ltd* (2009), 78 CPR (4th) 306 (TMOB), *Scott Paper, supra*, and *Deeth Williams Wall LLP v Wutzke*, 2010 TMOB 91. In this case, the Requesting Party submits that the Owner has not demonstrated that the circumstances described are not normal or would not apply to others in the marketplace, thus failing to meet the standard of an unusual, uncommon or exceptional situation. In particular, the Requesting Party submits that Mr. LeBlanc fails to show any steps taken to secure new customers for the registered goods, especially in light of the lengthy period of non-use.

[26] The Owner submits that case law cited by the Requesting Party refers to market conditions generally, rather than bankruptcy specifically, which the Owner submits will generally satisfy the second stage of the test, following *Rogers & Scott v Naturade Products Inc* (1988), 19 CPR (3d) 504 (TMOB) [*Naturade*], *Lapointe Rosenstein v Maxwell Taylor's Grill Inc* (2001), 19 CPR (4th) 263 (TMOB) [*Maxwell Taylor's Grill*], and *Burke-Robertson v Swan Recreational Products Ltd* (1990), 33 CPR (3d) 56 (TMOB) [*Swan*]. However, I note that these cases do not support the Owner's position. In *Naturade* and *Maxwell Taylor's Grill*, the Board found that special circumstances had not been established due to the long periods of non-use of three and four and a half years, respectively; in this case, the period of non-use exceeds that of either of these cases. Further, *Swan* is of no assistance to the Owner as that case dealt with a situation in which an owner's purchase of a mark, whose previous owner had gone bankrupt, occurred after the issuance of the section 45 notice. Circumstances such as the bankruptcy of a licensee may excuse only a short period of non-use [*ExxonMobil Oil Corp v Mövenpick-Holding AG*, 2013 TMOB 98 at para 21]. In this case, I cannot conclude that the five-year period of non-use was beyond the Owner's control.

[27] Thirdly, the Requesting Party argues that the Owner has not shown a serious intention to resume use, citing *Messrs Bereskin & Parr v Fairweather Ltd*, 2006 FC 1248, for the proposition that while pre-notice evidence is essential in section 45 proceedings, post-notice evidence may be relevant only “to the extent that it supplements or confirms the evidence of pre-notice intent to use.” In this case, the Requesting Party submits that the LeBlanc affidavit merely states that it was always the Owner’s intention to resume use of the Mark, and that the evidence is ambiguous as to when Millennium Footwear entered a relationship with Fields to sell goods bearing the Mark, which must therefore be resolved against the Owner. Further, the Requesting Party argues that it is unclear when such sales will occur, and notes that Exhibits D and E post-date the section 45 notice and should not be considered in this proceeding.

[28] Finally, the Requesting Party submits that *Scott Paper* establishes that an intention to resume use will not constitute a special circumstance excusing non-use, and that the second criterion must be met in order to establish special circumstances. Accordingly, even if it is accepted that there was a serious intention to resume use, the threshold for special circumstances is still not met.

[29] The Owner submits that the LeBlanc affidavit establishes that the Owner always intended to resume use of the Mark, which materialized in the agreement with Fields as evidenced by Exhibits C through E.

[30] In cases where an owner argues that the loss of a licensee amounts to special circumstances excusing non-use of a mark, the owner must describe the steps taken to rectify the situation or must provide details concerning such situation [*Wolfe & Bazinet v Labelmasters Canada Inc* (1995), 60 CPR (3d) 106 (TMOB) at para 7]; including steps taken to locate a new licensee [*Morency Société d’avocats LLP v Shakey’s International Ltd*, 2014 CarswellNat 3069 at para 29]. In this case, there is no reference to efforts made to locate any new licensees until after the issuance of the section 45 notice. While I accept that the Mark was used in association with slippers following the issuance of the section 45 notice, this does not on its own demonstrate a serious intention on the part of the Owner to use the Mark during the relevant period. Serious intention must be accompanied by clear and concrete steps to re-establish use prior to the date of the section 45 notice [*Arrowhead Spring Water Ltd v Arrowhead Water Corp*

(1993), 47 CPR (3d) 217 (Fed TD) at para 12; *Lander, supra* at para 15], of which the Owner furnished no clear evidence.

[31] In any event, even if I were to accept that the purchase order of February 3, 2017, demonstrates a serious continuing intention to use the Mark during the relevant period, continuing intention to use the Mark cannot be a special circumstance leading to non-use of the Mark [*Scott Paper, supra*]. In this case, the Owner has argued that the circumstances leading to non-use were the bankruptcy of its licensees; having already found that there is not enough evidence to establish that this circumstance was so “unusual, uncommon or exceptional” as to meet the threshold established by the jurisprudence, I cannot find that a continuing intention to use the Mark is sufficient on its own to meet this threshold.

[32] Finally, while this issue was not put forward by the Requesting Party, I note that the Owner’s evidence of recent use relates to slippers, rather than shoes and sneakers or any other of the registered goods.

[33] Consequently, having regard to the evidence as a whole, and in accordance with the aforementioned, I am not satisfied that the Owner has demonstrated use of the Mark in association with the registered goods, within the meaning of sections 4 and 45 of the Act.

DISPOSITION

[34] Accordingly, pursuant to the authority delegated to me under section 63(3) of the Act, the registration will be expunged in compliance with the provisions of section 45 of the Act.

Gregory Melchin
Hearing Officer
Trade-marks Opposition Board
Canadian Intellectual Property Office

**TRADE-MARKS OPPOSITION BOARD
CANADIAN INTELLECTUAL PROPERTY OFFICE
APPEARANCES AND AGENTS OF RECORD**

No Hearing Held

AGENTS OF RECORD

Bennett Jones LLP

FOR THE REGISTERED OWNER

McDougall Gauley LLP

FOR THE REQUESTING PARTY