



Canadian Intellectual Property Office

THE REGISTRAR OF TRADEMARKS

Citation: 2023 TMOB 113

Date of Decision: 2023-07-04

IN THE MATTER OF A SECTION 45 PROCEEDING

Requesting Party: CPST Intellectual Property Inc.

Registered Owner: Hudson Watch Inc.

Registration: TMA731,727 for i watch

INTRODUCTION

[1] This is a summary expungement proceeding under section 45 of the *Trademarks Act*, RSC 1985, c T-13 (the Act) with respect to registration No. TMA731,727 for the trademark i watch (the Mark) registered for use in association with “mens’ and ladies’ wristwatches” (the Goods).

[2] For the reasons that follow, I conclude that the registration ought to be maintained.

THE PROCEEDING

[3] At the request of CPST Intellectual Property Inc. (the Requesting Party), the Registrar of Trademarks issued a notice under section 45 of the Act on July 27, 2021 to the registered owner of the Mark, Hudson Watch Inc. (Hudson).

[4] The notice required Hudson to show whether the Mark was used in Canada in association with the Goods 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 such use since that date. In this case, the relevant period for showing use is July 27, 2018 to July 27, 2021 (the Relevant Period). In the absence of use, the registration is liable to be expunged, unless the absence of use is due to special circumstances.

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

A trademark 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.

[6] In response to the Registrar's notice, Hudson furnished the Affidavit of David Weiss, affirmed on February 18, 2022, together with Exhibits A to T (the Affidavit).

[7] Only Hudson submitted written representations and only Hudson attended a hearing.

THE EVIDENCE

[8] Mr. Weiss is the President, sole Director and sole shareholder of Hudson. He was also the President, sole Director and sole shareholder of Hudson's predecessors-in-title, 673367 Ontario Ltd (673367) and Westwood Holdings Inc. (Westwood).

[9] Mr. Weiss states that 673367 established a business in the 1990's to sell watches to major Canadian retailers and that it decided to try and sell any inventory of unsold watches directly to consumers. To test the idea, 673367 held its first direct to

consumer sales event in Oshawa, Ontario in November 1993. It sold its inventory of 4,000 watches in eight hours. Additional sales events followed in 1994 (four sales events) and 1995 (twelve sales events). Mr. Weiss states that, until 2010, the sales events were very popular and drove a healthy and successful business for 673367.

[10] Mr. Weiss states that the watch business started to change in 2010 as people became more reliant on cell phones to tell time, thereby reducing the market share for traditional wrist watches and directly impacting the retail watch business with the result that 673367 reduced the number of sales events to five per year. In 2013, it was decided that 673367 should hold one or two sales events in every other calendar year. The last sales event was held in Mississauga, Ontario in 2017 (the Mississauga Event).

[11] Mr. Weiss states that Westwood licensed the use of the Mark to Hudson from November 1, 2015 to March 29, 2017 (when Hudson acquired the Mark from Westwood). Pursuant to the license, Westwood controlled the character and quality of the watches sold by Hudson in association with the Mark. He also states that he personally selected each and every one of the watches branded with the Mark and made certain that they met the standards of quality required by Westwood.

[12] In January 2017, Hudson added to its existing inventory of watches by purchasing 6,548 watches manufactured by Chronosport Ltd. Mr. Weiss states that the watches were manufactured to specifications provided by Hudson and those specifications were approved by Westwood, the owner of the Mark at the time, and met Westwood's standards of quality. 650 of the watches displayed the Mark.

[13] The watches purchased by Hudson, including the watches displaying the Mark, were sold at the Mississauga Event, which ran from March 25 to March 26, 2017. Attached as Exhibit G to the Affidavit is a flyer for the Mississauga Event which features watches which display the Mark on the watch face including both a woman's watch and several men's watches. Mr. Weiss also provides as Exhibit K two photographs of a men's watch displaying the Mark on the watch face – the watch in the photograph is identical to one of the watches as shown in the Exhibit G flyer. Exhibit K also includes a photograph of a watch case which displays the Mark.

[14] Sales for the Mississauga Event were approximately \$190,000. While the sales receipts from the Mississauga Event do not identify the brand of the watches sold, Mr. Weiss states that watches identical to those shown in Exhibits G and K were sold to many different customers. The watches were sold in cases that displayed the Mark (as shown in Exhibit N).

[15] Hudson planned a 2017 sales event in Laval, Quebec but it was cancelled because, after the Mississauga Event, there was insufficient inventory to proceed. A copy of the flyer for the planned event in Laval, which displays watches bearing the Mark, is attached to the Affidavit as Exhibit L.

[16] Mr. Weiss determined that the next sales event would take place in Vancouver in the Fall of 2019 (the 2019 Sales Event).

[17] Mr. Weiss states that he has always been very 'hands-on' with the sales events - he personally planned, arranged, organized, and attended each and every sales event since 1993. He states that the events are labour intensive and hectic events which he has worked hard to perfect. He goes on to state that he manages temporary staff of approximately twenty five people at the sales events and deals with thousands of customers during the sales events. He deals with pre-sale details such as the designing of watches, purchasing of inventory, importation and customs issues, space rental agreements, development of advertising and marketing methods. He also deals with on-site details such as proper set-up, maximizing customer flow, sales processes, record keeping, sales tax collection and remittance, payment processing (including large volumes of cash) and designing positive customer experiences. He emphasizes that each sales event was run solely and directly by him. He has never delegated organization or management of any sales event to anyone else.

[18] In late 2018, Mr. Weiss suffered significant problems with his left knee. He saw his doctor in early 2019 and was referred to a knee surgeon. Knee replacement surgery took place on June 29, 2019. The recovery period was longer than six months which meant that he could not run an event on behalf of Hudson in 2019 because he could barely walk. Accordingly, the 2019 Sales Event was pushed to the Fall of 2020.

However, the COVID-19 pandemic threw Hudson's business model and normal course of trade into disarray, preventing Hudson from holding a sales event for the remainder of the Relevant Period. As noted by Mr. Weiss, as of the date of his Affidavit, Ontario was in a lock down where only 10 people were permitted to attend a public gathering, whereas Hudson's sales events typically attracted 3,000 to 4,000 people.

[19] Mr. Weiss confirms that Hudson plans to hold another sales event, as soon as it is possible to do so, at which it will sell its existing inventory of 275 watches bearing the Mark (Exhibit N provides a break down of the inventory of the remaining watches displaying the Mark) as well as additional watches bearing the Mark which it will have manufactured for the sales event. While it was uncertain, as of the date of the Affidavit, when Hudson could hold another event, Mr. Weiss states that Hudson aims to hold an event at The International Centre in Toronto in December 2023.

[20] Mr. Weiss also states that he is an avid fan of hockey. In 2013, he constructed a skating rink in his back yard complete with refrigeration, boards, glass and nets. The rink also features advertising on its boards. The Mark has been advertised on the boards since 2013 (see, for example, Exhibit Q).

[21] The rink was open to the public in the winter of 2020 – 21 (subject to public health regulations). Mr. Weiss states that his wife decided to give watches bearing the Mark out to certain people who visited the rink as a "gesture of goodwill". Mr. Weiss states that he can recall collecting money from a few people for watches bearing the Mark identical in appearance to the one shown in Exhibit K. However, he did not provide or maintain copies of any invoices, as the sales were cash sales to a very small and select number of people.

[22] At the hearing, Hudson made clear that it was not relying on the rink transactions to show use under section 45 given that there is no documentation to support the transactions. I would add that it is not clear that from the evidence that the rink transactions were in Hudson's normal course of trade in any event.

ANALYSIS AND REASONS FOR DECISION

[23] Given that Hudson is not relying on the rink transactions, there is no evidence of use of the Mark in Canada during the Relevant Period. Accordingly, the issue to be determined is whether, pursuant to section 45(3) of the Act, there were special circumstances which excused non-use.

[24] To determine whether special circumstances have been established, the Registrar must determine why the Mark was not used during the Relevant Period. The Registrar must then determine whether the reasons for non-use constitute special circumstances [*Registrar of Trade Marks v Harris Knitting Mills Ltd* (1985), 4 CPR (3d) 488 (FCA)]. Special circumstances mean circumstances that are “unusual, uncommon, or exceptional” [*John Labatt Ltd v Cotton Club Bottling Co* (1976), 25 CPR (2d) 115 (FCTD)].

[25] If the reasons for non-use constitute special circumstances, the Registrar must still decide whether such special circumstances excuse the period of non-use. This involves 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 beyond the control of Hudson; and (iii) whether there exists a serious intention to shortly resume use [*Harris Knitting Mills*].

[26] All three criteria are relevant, but satisfying the second criterion is essential for a finding of special circumstances excusing non-use [*Scott Paper*].

[27] The relevance of the first criterion is apparent, as reasons that may excuse a brief period of non-use may not be sufficient to excuse an extended period of non-use; in other words, the reasons for non-use will be weighed against the length of period of non-use [*Smart & Biggar v Scott Paper Ltd*, 2008 FCA 129].

[28] The intent to resume use must be substantiated by the evidence [*Arrowhead Spring Water Ltd v Arrowhead Water Corp* (1993), 47 CPR (3d) 217 (FCTD); *NTD Apparel Inc v Ryan* (2003), 27 CPR (4th) 73 (FCTD)].

Reasons for non-use of the Mark

[29] I am satisfied, based on the very detailed explanation provided by Mr. Weiss, that watches displaying the Mark were sold at the Mississauga Event in March 2017 and that, in keeping with Hudson's established business plans which anticipated a sales event every two years, the remaining inventory of watches displaying the Mark, as well as newly manufactured watches displaying the Mark, were to be offered for sale at the 2019 Sales Event. That the 2019 Sales Event did not occur was due to two reasons.

[30] First, I am satisfied that the 2019 Sales Event had to be postponed because of the knee surgery required by Mr. Weiss and the lengthy recovery period - it was not possible for Hudson to plan, arrange, organize and conduct the 2019 Sales Event without the active participation of Mr. Weiss at every step. As a result, the 2019 Sales Event was pushed to the Fall of 2020.

[31] As noted in *Field LLP v Modes Freedom Inc*, 2014 TMOB 130, the serious illness of a principal of a small business can be a special circumstance and I am satisfied that such was the case here.

[32] Second, I am satisfied that Hudson, having pushed the 2019 Sales Event to the Fall of 2020, was then prevented from holding the event due to the COVID-19 pandemic restrictions imposed in 2020.

[33] As stated in *The Wonderful Company LLC v Fresh Trading Limited*, 2023 TMOB 8 at para 37, "where an owner submits that the pandemic amounts to special circumstances excusing non-use of its trademark, that owner must first show that non-use of a trademark is *in fact* due to the pandemic; in other words, it must provide sufficient evidence demonstrating that if not for the pandemic, it would have used the trademark". I am satisfied that Hudson would have held the sales event in 2020 but for the pandemic and, as such, the pandemic is a special circumstance on the facts of this case.

[34] Accordingly, I am satisfied that the combination of the disability of Mr. Weiss and the onset of the COVID-19 pandemic restrictions constitutes special circumstances.

Do the special circumstances excuse the period of non-use

Length of time during which the Mark was not in use

[35] The last sale of the Goods bearing the Mark, in the normal course of trade, was in March 2017 at the Mississauga Event. Hudson had an inventory of 650 watches displaying the Mark going into the Mississauga Event. As of the date of the Affidavit, Hudson had an inventory of 275 watches displaying the Mark. Accordingly, it is reasonable to infer that Hudson sold 375 watches displaying the Mark at the Mississauga Event.

[36] To the extent that the watches sold in 2017 were manufactured by Chronosport, I am satisfied that Westwood, the owner of the Mark at the time, had licensed the use of the Mark and exercised control over the character and quality of the watches. Accordingly, I am satisfied that the use of the Mark enured to Westwood's benefit pursuant to section 50 of the Act.

[37] In assessing the length of time the Mark was not in use, it is relevant to keep in mind that Hudson, in keeping with its normal course of trade and established business plans, retained an inventory of watches displaying the Mark and intended to sell those watches at its 2019 Sales Event.

[38] Accordingly, the length of time of non-use is relatively short in this case, being just over four years as of the date of the section 45 notice.

Were the reasons for non-use beyond the control of Hudson

[39] In this case, I agree with Hudson that the reasons for non-use, namely the knee surgery of Mr. Weiss in 2019, including the subsequent recovery period, and the imposition of the COVID-19 pandemic restrictions in 2020 were beyond its control and prevented Hudson from selling the Goods in accordance with its normal course of trade and established business plan at the 2019 Sales Event or the deferred date in the Fall of 2020.

Serious intention to resume

[40] While the COVID-19 pandemic restrictions that impeded Hudson's planned sales event in 2020 were still in place as of the date of the Affidavit, I am satisfied that Hudson has evidenced a serious intention to resume use of the Mark once the pandemic restrictions were lifted and it was able to resume the sales events. In this respect, I note that Hudson continued to promote the Mark at the rink owned by Mr. Weiss, maintained an inventory of the Goods bearing the Mark, and planned to hold a sales event in December 2023.

Conclusion

[41] Weighing these three factors together, I am satisfied that Hudson has demonstrated special circumstances which excuse the period of non-use of the Mark within the meaning of section 45(3) of the Act.

DISPOSITION

[42] Pursuant to the authority delegated to me under section 63(3) of the Act and in compliance with the provisions of section 45 of the Act, the registration will be maintained.

Robert A. MacDonald
Member
Trademarks Opposition Board
Canadian Intellectual Property Office

Appearances and Agents of Record

HEARING DATE: 2023-05-30

APPEARANCES

For the Requesting Party: No one appearing

For the Registered Owner: Shane Hardy

AGENTS OF RECORD

For the Requesting Party: Dori Walton

For the Registered Owner: Cozen O'Connor LLP