

IT.Can Trademark Update 2016

Daniel R. Bereskin, Q.C.*

1. Meta tags/Keywords
2. When is a trademark “clearly descriptive or deceptively misdescriptive” of the place of origin?
3. Is a software license a “good” for which a trademark can be registered?
4. What constitutes “use in Canada” for a registered trademark covering services?
5. What “special circumstances” can avoid cancellation of a trademark registration for non-use?

1. Meta Tags/Keywords

Meta tags are descriptive terms used in web page coding to inform search engines about web page content, and are not readily visible to persons browsing the web. In the early days of Internet searching, meta tags often were used to improve the ranking of web pages. When website developers began including irrelevant text in web page coding to alter the natural ranking of the web page, search engine providers began ignoring these terms in their search engine ranking algorithms. For this reason, “meta tags” in relation to trademark issues, has become a somewhat obsolete term.¹ The current focus of trademark litigation is on the use of keywords.

For the purpose of this discussion, keywords are words typed by a user into the search field of a search engine when looking for specific information on the Internet. Such words are the basis of sophisticated rank relevance algorithms that search engines use to identify the most relevant websites for the user and to display sponsored advertisements. Search engine providers such as Google, Yahoo! and Microsoft Bing sell these keywords to advertisers to target users as they search the Internet. Sponsored links/ads generally are displayed in close proximity to the regular search results, and are identified as such. Normal listings are called “organic listings”.

* Partner, Bereskin & Parr LLP. The opinions expressed in this article are those of the author.

¹ For an explanation of how Google uses meta tags, see the [following link](#). The battle between search engine operators and persons engaged in search engine optimization (“SEO”) rages on: see the [following link](#) for an explanation of how Google deals with techniques designed to manipulate search engines.

For example, entering the words “Mercedes 2017 S Class” into the Google or Yahoo! search engines, results in the following ad/link beside a Mercedes listing:

The All-New BMW 7 Series - Configure Your 2016 BMW 7 Series.

www.bmw.ca/7-Series

Elegantly Designed. Configure Your 2016 BMW 7 Series.

BMW 7 Series Sedan : Luxury Reinvented

Although the last word has not yet been written, search engine operators in general are not liable for trademark infringement by merely selling keyword advertising to advertisers. Whether the advertiser is liable is another matter.

On the surface, the practice of using competitors’ trademarks as purchased keywords is unfair.² That said, there is tension between the right of a trademark owner to protect the goodwill associated with the trademark, and the right of the public to enjoy freedom of competition. Honest comparative advertising does not violate the rights of a trademark owner, even though the objective is to divert business from the trademark owner to the advertiser. That tension may in part explain the reason why courts increasingly are cautious about granting trademark relief to trademark owners in relation to unauthorized use of trademark keywords.

All keyword cases largely are fact driven, so one should be careful not to make conclusions that are too general in nature while the law is still evolving. That said, it seems fair to say that there must be something deceptive about the use of the purchased keyword or metatag, in order to justify injunctive relief.

² See, for e.g. *Boaden Catering v. Real Food*, 2016 ONSC 4098, per Sproat, J.: “I need not determine whether this use of a competitor’s name in Boaden’s website metatags was strictly legal. It is certainly unethical, deceptive and the antithesis of “open, honest and fully transparent”. For an excellent discussion of the topic of metatags, see *Sookman: Computer, Internet and Electronic Commerce Law*, Carswell, ISBN 0-459-32911-1.

In any trademark case, it is necessary to prove confusion or likelihood of confusion in order to succeed. Proving likelihood of confusion involving the mere use of a purchased trademark keyword is not easy. "Confusion", in the trademark sense, normally refers to confusion of a continuing nature, but the kind of confusion that may result from the use of trademark keywords more likely is of a transitory nature.

Some Courts have found for trademark owners based on so-called "initial interest confusion" on the ground that customers have been diverted to the advertiser's website even though they eventually have realized that the advertiser's site is not the one they initially sought. Subject to the reserve that the law is still evolving, absent proof of deception, it is unlikely that initial interest confusion is likely to have any traction in Canada.

In addition to the problem of proving likelihood of confusion, for a plaintiff to succeed, it has to be shown that the keyword is used as a trademark, i.e. for the purpose of distinguishing the advertiser's goods from those of others, which in general is not the case. For this reason, the use of a competitor's trademark in honest comparative advertising is not an infringement because the competitor's trademark is not being used as a trademark.

Passing-off is not an effective alternative because the keyword/metatag is not being used as a trademark, likelihood of confusion is problematic, and damages are difficult if not impossible to prove. Again, the situation could be different if the advertiser has engaged in deception or misrepresentation.

Actionable dilution is even more difficult to show in keyword cases.

The leading recent Canadian case is *Red Label Vacations Inc. (c.o.b. RedTag.ca) v. 411 Travel Buys Ltd. (c.o.b. 411TravelBuys.ca)*.³

In *Red Label*, the defendant used the plaintiff's three registered trade-marks in its meta tags: "redtag.ca"; "redtag.ca vacations"; and "Shop. Compare. Payless!! Guaranteed". It was held at trial and affirmed on appeal, that the use of a trademark in a meta tag did not constitute passing off or trademark infringement, because the meta tag is not visible to consumers. Justice Manson rejected the "initial interest confusion" theory as follows:

"Some United States Courts have held such use can cause "initial interest confusion", where confusion is caused in the customer before actually purchasing a good or service, when the customer seeks a particular brand of goods or services, but is drawn or enticed to a competitor's goods or services through the competitor's use of the first company's trade name or trademark.

³ [2015] FCJ No. 220; 2015 FC 18, affirmed 2015 FCA 290.

However, that approach to likelihood of confusion has not to my knowledge gained a foothold in Canada.”

Although the judgment was affirmed on appeal, Justice Dawson qualified Justice Manson’s reasons as follows:

“The extent to which a trademark may be used in metatags without infringing the trademark is, of necessity, fact specific. These reasons ought not to be read as endorsing the Judge’s remarks relating to “initial interest confusion” or as endorsing every alternative basis on which the Judge dismissed the action.”

In the writer’s view, although it is appropriate not to rule out injunctive relief under any circumstances,⁴ in most cases, normal use of a keyword to merely to draw attention to an honest website is not likely to cause confusion. That said, there are likely going to be cases where deception does occur, for example where the site associated with the keyword offers counterfeit goods, or wrongly implies a connection with or endorsement by the trademark owner. Recently, the [FTC brought suit](#) against entities who used meta tags and websites to create the misleading impression that they offered legitimate on-line high school diplomas when this was not the case. The meta tags arguably were part of the defendant’s scheme to deceive.

Although some cases have found liability if the keyword is used in the advertiser’s ad itself, it’s important to remember that in any case, the trademark must be used as a trademark. That’s the reason why the BMW ad referred to above does not violate any rights of Mercedes-Benz.

Justice Manson’s view of the inapplicability of the initial confusion test was followed in *Vancouver Community College v. Vancouver Career College (Burnaby) Inc.*⁵ In that case, the plaintiff asserted that its trademark VCC was infringed when the defendant purchased the Google AdWord VCC and used it in its website code. As was the case in *Red Label*, the Court found that there was no likelihood of confusion in fact, and also that there could be no initial interest confusion either, because the person making the search has the opportunity to decide whether to click on a link on the main search page, or else on a sponsored advertisement marked as such.

It should be mentioned that the VCC case was decided in the first instance before the issuance of the Federal Court of Appeal decision in *Red Label*, and that the VCC case currently is under appeal. The appeal was heard June 2-3, 2016 and to date the decision has not been released.

As indicated in the cases prior to *Red Label*, there is little consistency in the

⁴ See, for e.g. *British Columbia Recreation and Parks Association v Zakharia*, 2015 BCSC 1650.

⁵ 2015 BCSC 1470 (CanLII)

manner in which Courts have viewed the use of unauthorized keywords.⁶ Traditional approaches to determining likelihood of confusion in general do not assist plaintiffs, because seldom if ever is there provable likelihood of confusion at the time of purchase.

That said, some commentators point to the *Masterpiece*⁷ decision of the Supreme Court of Canada, as supporting "initial interest" confusion being actionable, based on the following comment from the judgment of Rothstein, J.:

[s]uch diversion diminishes the value of the goodwill associated with the trade-mark and business the consumer initially thought he or she was encountering in seeing the trade-mark. Leading consumers astray in this way is one of the evils that trade-mark law seeks to remedy.

It's important to keep in mind the main facts of the *Masterpiece* case: two organizations, separated geographically, used closely similar names in virtually the same business. The Court rightly reversed the decisions below that were grounded on the incorrect premise that the geographical separation of the respective businesses mitigated against any likelihood of confusion. That would have been reasonable if the case involved passing-off, rather than entitlement to register. In short, the above quotation should be read in the context of the facts before the Court, which are profoundly different from typical keyword cases.

As indicated in Manson J.'s decision in *Red Label*, the theory of "initial interest confusion" has gained some traction in the USA,⁸ and has been referred to in a number of Canadian cases.⁹ That said, the author agrees with Manson J. that initial interest confusion likely is not an actionable offence under Canadian law, absent facts that point to actual deception. Even in the USA, it appears that initial interest confusion appears to have lost its luster.¹⁰ In the *1-800 Contacts*

⁶ *British Columbia Automobile Ass'n v. O.P.E.U.I., Local 378*, 2001 BCSC 156, 10 CPR (4th) 423 (BC Sup Ct Jan 26, 2001); *Law Society of British Columbia v. Canada Domain Name Exchange Corp.* [2004] BCJ No 1692; 2004 BCSC 1102; *Northern Lights Expeditions Ltd. v. Spirit Wind Expeditions Ltd.* (2001), 15 CPR (4th) 134 (BC SC); *Saskatoon Star Phoenix Group Inc. v. Noton*, 2001 SKQB 153; *Pandi v FieldofwebsCom Ltd* [2007] OJ No 2739; *Insurance Corp of British Columbia v Stainton Ventures Ltd*, 2012 BCSC 608, affirmed 2014 BCCA 296; *Chocolat Lamontagne Inc. c. Humeur Groupe conseil Inc.* 2010 QCCS 3301; *Trans-High Corporation v. Hightimes Smokeshop*, 2013 FC 1190.

⁷ *Masterpiece v. Alavida*, 2011 SCC 27.

⁸ See, for e.g., *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1065-66 (9th Cir. 1999); *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004); *BigStar Entertainment, Inc. v. Next Big Star, Inc.*, 105 F. Supp. 2d 185 (S.D.N.Y. 2000)

⁹ *British Columbia Automobile Ass'n v. O.P.E.U.I., Local 378*, 2001 BCSC 156, 10 CPR (4th) 423 (BC Sup Ct Jan 26, 2001); *Dentec Safety Specialists Inc. v. Degil Safety Products (1989) Inc.*, 2012 CarswellOnt 10554, 2012 ONSC 4721, [2012]. In addition to these cases, there are numerous Canadian Internet Registration Authority ("CIRA") decisions that refer to IIC, but these cases are not in the view of the author, likely to be of precedential effect in trademark litigation.

¹⁰ See: *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229 (10th Cir. 2013).

case, it was held that initial interest confusion cannot be found absent proof of traditional “likelihood of confusion”, as indicated in *King of the Mountain Sports, Inc. v. Chrysler Corp.*¹¹

Those factors are:

- (a) the degree of similarity between the marks;
- (b) the intent of the alleged infringer in adopting its mark;
- (c) evidence of actual confusion;
- (d) the relation in use and the manner of marketing between the goods or services marketed by the competing parties;
- (e) the degree of care likely to be exercised
- (f) the strength or weakness of the marks.

In determining likelihood of confusion, in the *1-800 Contacts* case, the Court described “initial interest confusion” in relation to keyword advertising as follows:

Initial-interest confusion occurs when a consumer initially searching for the plaintiff’s product, subsequently confuses the defendant’s and the plaintiff’s products because the trademarks are similar or identical. By the time the confusion is dispelled, the consumer has chosen to buy the defendant’s product. Due to the similarity or identical use of a trademark, the defendant essentially lures the plaintiff’s consumers away.

In the *1-800* case, the evidence was that the percentage of customers who clicked on the sponsored link to the defendant’s site Lens.com, was only about 1.5%. This led to the conclusion that the use of the plaintiff’s trademark as a keyword was unlikely to lure consumers away from the *1-800* site.

2. When is a trademark “clearly descriptive or deceptively misdescriptive” of the place of origin?

Section 12 (1) (b) of the *Trade-marks Act* is as follows:

12 (1) Subject to section 13, a trade-mark is registrable if it is not

(b) whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French language of the character or quality of the goods or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of **their place of origin**; (emphasis added).

¹¹ 185 F.3d 1084, 1089–90 (10th Cir. 1999).

In order for a trademark to be unregistrable based on geographical descriptiveness, there are two basic considerations: (a) whether the trademark clearly describes the place of origin, and (b) whether the trademark deceptively misdescribes the place of origin.

Suppose the trademark is WATERLOO, for software made by a company located in Waterloo, Ontario. Use in this context, the trademark is clearly descriptive of the place of origin of the software. Although in theory it's possible that the trademark could achieve secondary meaning through extensive use, in a case like this, it could be a daunting challenge to prove that the trademark significance has trumped the descriptive significance, given the number of software companies in Waterloo. Even if the trademark WATERLOO is registered for software based on acquired secondary meaning, it should be remembered that it is not an infringement for a person to make *bona fide* use, other than as a trademark, of the geographical name of his place of business¹². Likewise, Cadillac is the name of a city in the state of Michigan, USA. Clearly, CADILLAC is primarily perceived to be a trademark for automobiles rather than a place name, irrespective where the automobiles are made.

On the other hand, if software marked WATERLOO is produced in Moose Jaw, Saskatchewan, the trademark would be registrable unless it can be shown that such use is deceptively misdescriptive. WATERLOO for software made in Moose Jaw would clearly be misdescriptive, but misdescriptiveness is irrelevant unless the use is also deceptive. It's possible that if the mark used is WATERLOO alone, this might deceive people into thinking that the software comes from Waterloo, Ontario, so in such a situation it would be prudent to add a distinguishing element to the geographical name.

These points are illustrated in the following cases.

In *Leyda*¹³ the trademark sought to be registered is LEYDA, a wine growing region in Chile. Presumably, few Canadians would be familiar with the geographical significance of Leyda, Chile. The court rejected the proposition that for a mark to be clearly descriptive of the place of origin the average consumer must perceive that the wine was made in Leyda. The court stated:

Those 'far away places with strange sounding names' may call some more than others, but [paragraph] 12(1) (b), at least as far as "place of origin" is concerned, is not dependent on the knowledge, or lack thereof, of the average Canadian consumer.

¹² Act, s. 20 (1) (b) (ii).

¹³ *Sociedad Agricola Santa Teresa Ltda. v. Vina Leyda Ltda.*, [2007] FCJ No 1681, 63 CPR (4th) 321 [Leyda].

Therefore, LEYDA was held not registrable because it is clearly descriptive of the place of origin of the wine, irrespective of the extent to which such descriptiveness is known to Canadians.

What if the alleged descriptor has a meaning in addition to the geographical meaning? In such a case it is necessary to determine the primary significance of the word to ordinary Canadians. For example, Turkey is the name of a country, and also the name of a bird species. Presumably the word “Turkey” primarily invokes to most Canadians the bird rather than the country, even though the name of the country Turkey is likely quite well known in Canada. Therefore, TURKEY is registrable for software that does not originate in Turkey.

That being the case, it follows that the primary perception of the ordinary person is relevant to determining whether a mark is clearly descriptive of the place of origin of the goods or services. That being the case, if LEYDA is meaningless to the vast majority of Canadians, why should registration be denied, particularly when issuance of a registration does not prevent anyone from indicating Leyda as the place of origin of the goods, provided LEYDA is not used as a trademark and such use is *bona fide*?

The converse situation to that of *Leyda*, is where the trademark allegedly is deceptively misdescriptive. In such a case, the perception of the ordinary Canadian clearly is the controlling factor.

In *Parma*,¹⁴ the word PARMA had been registered for meat products. The registration was challenged on the ground that it was not registrable under s. 12 (1) (b) of the Trade-marks Act. The Federal Court cited the test from *Atlantic Promotions*¹⁵ as the test for whether a mark is deceptively misdescriptive of a place of origin:

“In my view the proper test to be applied to the determination as to whether a trade mark in its entirety is deceptively misdescriptive must be whether the general public in Canada would be misled into the belief that the product with which the trade mark is associated had its origin in the place of a geographic name in the trade mark”¹⁶

The Court found that the word Parma did not signify to ordinary Canadians the city in Italy famous for Parma ham, and therefore the trademark was not deceptively misdescriptive of meat products not originating in Parma, Italy.

¹⁴ *Conzorsio Del Prosciutto Di Parma v. Maple Leaf Meats Inc.* [2001] FCJ No 89, [2001] 2 FC 536

¹⁵ *Atlantic Promotions Inc. v. Registrar of Trade Marks*, [1984] FCJ No 606, 2 CPR (3d) 183 at 186 (FCTD) [Atlantic Promotions].

¹⁶ *Ibid.* at 186.

A recent example of this is the trademark SPIRIT OF CUBA, which was held to be unregistrable because it is deceptively misdescriptive of rum that does not originate in Cuba.¹⁷ Conversely, the trademark EVENING IN PARIS for perfumery products does not necessarily imply that the products originate in Paris, even though Paris is a place where perfume could be made. Likewise, BATTLE OF WATERLOO for software not originating in Waterloo, Ontario, could be registrable if the primary significance of the phrase is the famous Napoleon battle, not the city in Ontario.

3. Is a software license a “good” for which a trademark can be registered?

Section 4 (1) of the Act provides 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.

In *Specialty Software*,¹⁸ the trademark MEDINET was registered in 1992 for “software computer programs” under No. TMA398389. When first registered, the software was supplied in the form of computer disks. More recently, customers obtain the software including updates, by downloading via the Internet. The registration was challenged under s. 45 of the Act on the ground of non-use. The basis for this assertion is that since no physical product was being sold in association with the trademark, in effect the only use is that of a service mark, not a trademark for wares. This improbable assertion was dismissed by Justice O’Reilly, who determined that the product has always been the same, the only difference being the manner of delivery.

Even though Specialty used to sell its software on disks – which are obviously tangible and easily identified as wares – it was always really selling a license to use the software, which is an intangible good. Specialty did not actually sell the software itself; it sold an entitlement to obtain access to it by way of licenses. The disks merely represented the means by which the transfer of the goods occurred. The real goods were, and are, the licenses.

¹⁷ *Ron Matusalem & Matusa of Florida Inc. v. Havana Club Holding Inc. SA*, [2010] F.C.J. No. 1006, 87 C.P.R. (4th) 437 (F.C.), affd [2011] F.C.J. No. 1285, 2011 FCA 244 (F.C.A.)

¹⁸ *Specialty Software Inc. v. Bewatec Kommunikationstechnik GmbH* (2016), 2016 FC 223, 2016 CarswellNat 579 [Specialty Software].

The case is interesting, because it demonstrates that “wares” need not be tangible. The case invokes the following example. When a person dines at a restaurant, is the person paying for restaurant services or for food? The answer may be neither, the person more likely is paying for an implied license to eat at the restaurant, the cost being dependent on what is consumed. To put this another way, McDONALD’S is a trademark *inter alia* for restaurant services. What exactly is sold to the customer? Does the customer pay for the service, or for the food, or for a license to eat at the restaurant? The last alternative seems the more correct.

Justice O’Reilly did not refer to the fact that the registration covers “software computer programs”, not “software computer program licenses”. It might have been simpler to have said that the wares are exactly the same as they’ve always been, namely software which in essence is intangible when it resides in a computer. That said, there does not appear to be any need to register software trademarks in association with “licenses to use software” in addition to “computer software”, because it seems certain that future courts would agree with Justice O’Reilly that the sale of software in the form of electronically transmitted code, is good trademark use for computer software irrespective whether the software when delivered is in tangible or intangible form.

4. What constitutes “use in Canada” for a registered trademark covering services?

Enforceable trademark rights in Canada ultimately depend on use in Canada, with relatively narrow exceptions. The *Trade-marks Act* (the “Act”) was amended in 2014 by the then government to abolish use as a pre-requisite to obtaining a registration. The legislation is not expected to come into force until 2018, but even after it does, registrations will be vulnerable to cancellation for non-use unless use has commenced in Canada within three years from the date of the registration.

With the explosive growth of business transacted electronically, tensions have developed between traditional law that imposed strict standards on what constitutes use in Canada, and what the market-place now considers normal business. This is particularly the case in relation to trademarks covering services.

Section 4 (2) of the Act is as follows:

(2) A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.

In the *Don the Beachcomber* case, restaurant services were advertised in Canada, and the trademark was registered based on “making known” in Canada. The restaurant was located in Hollywood, California. The registration was

challenged for non-use, and it was held that use in relation to services requires both advertising and performance of the services. The registration therefore was expunged.

A number of cases followed, to the same general effect, including the *Marineland* case, where it was held that the mere sale of tickets in Canada to the Marineland Park in Florida did not constitute use of the trademark for marine park services.

The growth of the Internet has led to a number of cases where a somewhat less strict standard was applied. These cases include the *Saks* case where the trademark SAKS had been registered for department store services and certain goods. The registration was challenged for non-use, and indeed at the time of the challenge, Saks did not have a single brick and mortar store in Canada. Saks did have a considerable mail order business with Canadian residents, based on its website, which allowed Canadians to order directly on-line or by telephone. It was held that the display of the registered trademark on computer screens, coupled with the sale of goods ordered on-line or by telephone, constituted retail department store services despite the absence of a store in Canada.

A recent case that went even a little farther than the *Saks* case, is the *TSA Stores* case. One of the registrations challenged for non-use was THE SPORTS AUTHORITY, registered for “retail store services featuring sporting equipment and clothing”. In a decision even more generous to the Registrant than that of the *Saks* case, the Court held that the mere provision of ancillary services such as maintenance of a “product review” section of the website was sufficient to prove use in Canada in relation to retail store services.

Similarly, in the *Homeaway* case, the trademark HOMEAWAY for real estate listing services was held to be used in Canada despite the fact that the trademark was displayed primarily online. A third party had improperly registered HOMEAWAY for similar services, and that registration was invalidated based on the prior use by the applicant, HomeAway. It is now quite plain that telecommunications from a foreign state to Canada, or vice versa, is “both here and there”.

This more liberal approach only goes so far. In *Supershuttle* the registration was expunged on the ground of non-use because the services covered by the registration, airport passenger ground transportation, were not performed in Canada, although advertised in Canada. Likewise, in the *Mirage Resorts* case, the trademark BELLAGIO was not used in Canada in relation to hotel and other services, because there was no brick & mortar hotel in Canada offering the same services.

Another important case is *Unicast SA v South Asian Broadcasting*. The Applicant, Unicast SA, operated an Internet radio station in Switzerland with the

trademark 'ROUGE FM'. The respondent had registered the trademark RED FM for, inter alia, radio broadcasting services. The applicant applied to expunge the RED FM registration on the ground of its prior use of ROUGE FM for broadcasting services originating in Switzerland but available to Canadians via the Internet. It was held that this did not constitute evidence of broadcasting in Canada and therefore the expungement application failed.

All this said, it should be realized that many of these trademarks have acquired considerable notoriety in Canada, and therefore the owners of the trademarks may well be entitled to enjoin any unauthorized confusing use of similar marks, even without a registration, based on passing off or breach of s. 7 (b) of the Act.

The question, therefore, is how best to protect a trademark against an attack based on non-use, assuming the trademark is registered properly in the first place?

If it is likely to be the case that the services are not performed from an establishment located in Canada, it is important to ensure that the trademark as registered at least covers related or ancillary services. For example, in the case of hotel services, it's important to cover hotel reservation services, assuming these can be made on-line. So, for example, in the *Marineland* case, the registration might have been saved at least in relation to reservation and ticketing services relating to attendance at a Marine Park, or in the *Supershuttle* case, Reservation services for ground transportation.

5. What "special circumstances" can avoid cancellation of a trademark registration for non-use?

Section 45 of the *Act* describes the procedure for expungement of marks from the trademark register for non-use. s. 45(3) describes an exception to expungement based on "special circumstances":

(3) Where, by reason of the evidence furnished to the Registrar or the failure to furnish any evidence, it appears to the Registrar that a trade-mark, either with respect to all of the goods or services specified in the registration or with respect to any of those goods or services, was not used in Canada at any time during the three year period immediately preceding the date of the notice and that the absence of use has not been due to special circumstances that excuse the absence of use, the registration of the trade-mark is liable to be expunged or amended accordingly. (emphasis added)

Section 45 of the *Act* provides a relatively a simple process for removing "dead wood" on the trade mark register.¹⁹ If there is no use of the mark, the applicant

¹⁹ *Uvex Toko Canada Ltd. v Performance Apparel Corp.*, [2004] FCJ No 581, 2004 FC 448 at para 58 [Uvex].

must state when it was last in use and the reason for the absence of use.²⁰ The Registrar's duty under s.45 proceedings is to determine with respect to the goods and/or services covered by the registration, whether the trademark has been used in Canada in the relevant time period.²¹

In general, it is not easy to prove to the satisfaction of the Registrar that special circumstances exist to excuse non-use during the relevant period. In *Cotton Club Bottling*,²² the court interpreted the ordinary meaning of the words "special circumstances" as follows (s. 44 has since been renumbered as s. 45):

The word "special" in the language of section 44(3) "that the absence of use has not been due to special circumstances that excuse such absence of use" is an adjective modifying the word "circumstances" and the word "special" as an adjective is defined in the Shorter Oxford English Dictionary 3rd Ed., as meaning "Of such a kind as to exceed in some way that is not usual or common; exceptional in character, quality or degree". Put another way "special circumstances" means circumstances that are unusual, uncommon or exceptional.²³

The most recent significant case dealing with "special circumstances" is *Gouverneur Inc. v. One Group LLC*.²⁴ In *Gouverneur*, the registered trademark STK for "bar services, restaurants" was attacked for non-use under s. 45. Although the trademark had not been used during the three years period following the date of registration, the Registrar decided not to cancel the registration on the basis of evidence that the registrant had numerous discussions with various hotel chain operators to find a location for its restaurant, and that one after another, the plans of these operators to open a hotel were aborted. At the date of the s.45 notice, the registrant stated that it was close to coming to an agreement with a luxury hotel chain to open its restaurant in Toronto.

In reaching this conclusion, the Registrar referred to this Court's decision in *Canada (Registraire des marques de commerce) c. Harris Knitting Mills Ltd.*,²⁵ identifying the following three criteria that apply when determining whether special circumstances exist:

- 1) the length of time during which the trade-mark has not been used;
 - 2) whether the reasons for non-use were beyond the registered owner's control;
- and

²⁰ Act, supra note **Error! Bookmark not defined.**, s. 45(1).

²¹ *Lang Michener v United Grain Growers Ltd.* [2001] FCJ No 437, 2001 FCA 66 at para 14.

²² *John Labatt Ltd. v Cotton Club Bottling Co.* [1976] FCJ No 11, 25 CPR (2d) 115.

²³ *Cotton Club Bottling*, supra note 22 at para 29.

²⁴ [2016] FCJ No 361, 2016 FCA 109.

²⁵ [1985] F.C.J. No. 226 (Fed. C.A.) (QL).

3) whether the registered owner has a serious intention to shortly resume use of the trade-mark.

On appeal to the Federal Court, the trial judge reversed the Registrar on the ground that the evidence did not support the Registrar's conclusion, despite her acknowledgement that her role was not to reassess the evidence and substitute her own appreciation of the evidence for that of the Registrar.

The Federal Court of Appeal allowed the appeal and restored the Registrar's decision to maintain the registration, on the ground that the evidence could support the Registrar's finding of special circumstances, consistent with the findings of the Federal Court of Appeal in *Scott Paper Ltd. v. Smart & Biggar*.²⁶

As indicated above, decisions involving "special circumstances" are fact-driven. Now listed in summary are examples of cases where special circumstances have been dealt with.

Special Circumstances Found to Exist

Delays in obtaining marketing authority pursuant to government regulations.²⁷
New trademark owner awaiting depletion of stock of previous owner, and supplier problems.²⁸ Error in assigning a registration.²⁹

Special Circumstances Found Not to Exist

Mere *bona fide* intent to resume use after a long period of non-use.³⁰ Inability of the registrant to find a component supplier where the problem was not of a temporary nature.³¹ The cyclical nature of the market for products.³² Marketing problems attributable to an economic recession, the introduction of a Federal sales tax, NAFTA, and the prevalence of cross-border shopping.³³ Awaiting the outcome of litigation potentially affecting the trademark.³⁴ Uncertainty of

²⁶ 2008 FCA 129, 291 D.L.R. (4th) 660 (F.C.A.) (QL).

²⁷ *Cassels Brock & Blackwell LLP v. Canada (Registrar of Trade-Marks)*, [2004] FCJ No 972, 2004 FC 753 at para 25; *Playboy Enterprises Inc v Germain* (No 2) [1987] FCJ 617, [1988] 1 FC 163; *Spirits International N.V. v Canada (Registrar of Trade-Marks)*, [2006] FCJ No 648, 2006 FC 520 affirmed at [2007] FCJ No 581, 2007 FCA 162, but see *Clark O'Neill Inc. v PharmaCommunications Group Inc.*, [2004] FCJ No 147, 2004 FC 136.

²⁸ *88766 Canada Inc. v George Weston Ltd.* [1987] FCJ No 366, 15 CPR (3d) 260.

²⁹ *International Board of Standards and Practices for Certified Financial Planners Inc. v Canadian Institute of Financial Planning* [1993] FCJ No 375.

³⁰ *Scott Paper Ltd. v Canada* (Attorney General), [2008] FCJ No 539, 2008 FCA 129

³¹ *Professional Gardener Co. v Canada (Registrar of Trade Marks)* [1985] FCJ No 601

³² *Canada (Registrar of Trade Marks) v Harris Knitting Mills Ltd.* (1985), [1985] FCJ No 226, 4 CPR (3d) 488.

³³ *Lander Co. Canada v Alex E. MacRae & Co* [1993] FCJ No 115, 46 CPR (3d) 417.

³⁴ *Bereskin & Parr v Bartlett* 70 CPR (4th) 469, [2008] TMOB No 101.

trademark ownership, and difficulty in finding licensees.³⁵ Corporate reorganization.³⁶

³⁵ *NTD Apparel Inc. v Ryan*, [2003] FCJ No 1008, 2003 FCT 780.

³⁶ *George Weston v Sterling & Affiliates*, [1984] FCJ No 1208, 3 C.P.R. (3d) 527 at para 18; *Meredith & Finlayson v. Canada* [1992] FCJ No 604, 55 FTR 241 reversed on other grounds [1994] FCJ No 71, 54 CPR (3d) 444.