

Federal Court



Cour fédérale

Date: 20180125

Docket: T-1175-17

Citation: 2018 FC 79

Ottawa, Ontario, January 25, 2018

PRESENT: The Honourable Mr. Justice Pentney

BETWEEN:

1400446 ALBERTA LTD.

Applicant

And

FOGLER, RUBINOFF LLP

Respondent

JUDGMENT AND REASONS

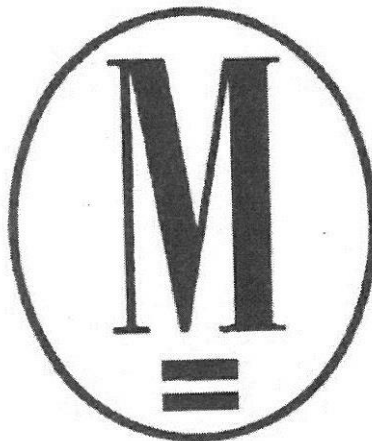
[1] This is an appeal pursuant to s. 56 of the *Trade-marks Act*, RSC 1985, c T-13 [the *Act*], from the decision of the Registrar of Trade-marks (“the Registrar”) to expunge the Applicant’s Canadian Trademark Registration No. TMA584,708 (“the 708 Registration”) for the “M” Design. The decision was made pursuant to a request by Fogler, Rubinoff LLP for the issuance of a s. 45 notice under the *Act*.

[2] Following a consideration of the evidence submitted, the Registrar found that the Applicant had demonstrated use of most of the goods and all of the services included in the 708 Registration during the three-year period prior to the issuance of the s. 45 notice. However, the Registrar also found that the evidence did not demonstrate that such use was by the Applicant or done pursuant to a licence agreement under which the Applicant controls the character or quality of the goods and services offered in association with the “M” Design, and therefore it ruled that the 708 Registration should be expunged from the Register.

[3] The Applicant appealed this decision pursuant to s. 56(1) of the *Act*, and filed new evidence pursuant to s. 56(5). The Respondent was provided with notice of the proceeding, but did not participate.

I. Background

[4] The Applicant is the owner of the 708 Registration for the “M” Design, set out below:



[5] The “M” Design was registered in association with the following goods and services:

GOODS/PRODUITS:

- (1) Jewelry.
- (2) Costume jewelry.
- (3) Precious metal and non-precious and semi-precious gemstones.
- (4) Jewelry with and without precious and semi-precious gemstones.
- (5) Precious gemstones.
- (6) Semi-precious gemstones.
- (7) Jewelry, namely rings, hair ornaments, earrings, bracelets, bangles, bands, necklaces, pendants, pins, brooches and body jewelry.
- (8) Jewelry, namely sterling silver jewelry.
- (9) Items of jewelry incorporating precious or semi-precious stones.
- (10) Watches.
- (11) Beads.
- (12) Pearls.

SERVICES:

- (1) Retail design, manufacture, sale, distribution and repair of jewelry, gemstones and related items.
- (2) Custom manufacture of jewelry to customer specifications.
- (3) Custom jewelry design.
- (4) Jewelry repair, sizing and restoration.
- (5) Repair of watches and watch accessories.

[6] At the request of the Respondent, the Registrar issued a notice pursuant to s. 45(1) of the *Act* on February 11, 2015, requiring the Applicant to provide proof of use of each of the goods and services listed in the registration over the three previous years.

[7] In response to the notice, the Applicant filed an affidavit of its Chief Executive Officer, Peter J. Konidas, which stated that the trade-mark has been in use continuously “by the Owner or its licensee Metalsmiths Master Architects of Jewelry Inc. since at least the three year period up to and including February 11, 2015... in the normal course of trade by the Owner or its licensee.” The Affidavit also provided photographs of various samples of jewelry bearing the

“M” Design, as well as photographs of a storefront and sample note paper and other stationery showing the same mark. The affidavit included receipts for custom jewelry design and watch repair work done by Metalsmiths Master Architects of Jewelry Inc. (Metalsmiths), as well as a “compilation and summary of the actual retail sales made by the Owner or its licensee in Canada of each of the specimen goods... which sales were made in the ordinary course of business for the period of February 10, 2012 up to and including February 10, 2015.”

[8] The Registrar found that the affidavit established evidence of use of the “M” Design for most of the goods and all of the services listed in the registration. The evidence was found to be lacking in respect of some of the goods listed in (7), namely hair ornaments, pins and brooches. In relation to the precious gems listed in (3), (5), (6) and (12) in the registration, the Registrar found that there was no evidence that these registered goods were sold in any manner other than in finished jewelry pieces, and thus they are more accurately described as goods (8): “items of jewelry incorporating precious or semi-precious gemstones”.

[9] However, the key finding of the Registrar was that the affidavit did not establish whether the use of the “M” Design “enures to the owner”, in light of the wording of the affidavit and the evidence submitted. There was no evidence that the Applicant itself had used the mark, and the affiant made repeated references to “the Owner or its licensee.” The licence agreement was not included with the affidavit, and there was no evidence provided as to the relationship between the Applicant and Metalsmiths to satisfy the requirements of s. 50 of the *Act*. On this basis the Registrar ordered the expungement of the registration.

II. Issues

[10] The issues in this appeal are:

- A. What is the standard of review in light of the new evidence filed pursuant to s. 56(5) of the *Act*?
- B. Has “use” by the Applicant or its licensee been established, as required by the *Act*?

III. Standard of Review

[11] The standard of review in an appeal under s. 56 of the *Act* depends on whether new evidence has been filed that would have affected the Registrar’s findings of fact or exercise of discretion. Where new evidence is filed which meets this threshold, the court must consider *de novo* the issue to which that additional evidence relates: *Spirits International BV v BCF SENCRL*, 2012 FCA 131 at para 10 [*Spirits International*]. While such new evidence can “undermine the factual substratum of the Board’s decision and thus rob the decision of the value of the Board’s expertise”, this does not “eliminate the Board’s expertise as a relevant consideration”: *Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22 at para 37; see also *Molson Breweries v John Labatt Ltd*, [2000] 3 FC 145, 2000 CanLII 17105 (FCA) at paras 46-51.

[12] In order to determine whether the new evidence would have materially affected the Registrar’s decision, the Court must assess the quality of the evidence, considering its nature, significance, probative value, and reliability, in order to determine whether the evidence adds something of significance (*Illico Communication Inc v Norton Rose SENCRL*, 2015 FC 165 at

para 26 [*Illico Communication*]; *Mcdowell v The Body Shop International PLC*, 2017 FC 581 at para 11).

[13] This requires an assessment of whether the evidence filed on the appeal is new, in the sense that it adds relevant additional information beyond that which was before the Registrar, and whether the new evidence is substantive or probative in the sense that it addresses an issue relevant to meeting the requirements of s. 45 of the *Act* and is reliable according the usual legal tests; finally, it requires an assessment of whether this new evidence would have likely materially affected the Registrar's findings of fact or exercise of discretion: *Spirits International*; *Gemological Institute of America v Gemology Headquarters International*, 2014 FC 1153 at para 25; *Illico Communication* at para 24.

[14] My task on the final part of this, whether the new evidence would have materially affected the findings of fact or exercise of discretion by the Registrar, is made easier by the decision in the instant case, which states:

[18] I note that if Mr. Konidas had attested in his affidavit that, during the relevant period, the Owner controlled the character or quality of the Goods and Services, I would have maintained the registration for goods (1), (2), (4), (8)-(11) and for goods (7) jewelry, namely rings, earrings, bracelets, bangles, bands, necklaces, pendants, and body jewelry and the Services.

[15] On this appeal, the Applicant filed a new affidavit, from Elias J. Konidas, who is the Secretary of Metalsmiths, which provides information regarding the corporate relationship between the Applicant and the licensee, and included a copy of the Licence Agreement. I find

that this is new relevant and reliable evidence, which would have obviously affected the decision of the Registrar, as indicated by paragraph 18 of its decision, cited above.

[16] In light of this conclusion, I will conduct a *de novo* review of the issue of use by the Applicant or its licensee, and on whether the relationship between the Applicant and licensee meets the requirements set out in s. 50(1) of the *Act*, in relation to the goods and services for which the Registrar has found evidence of use.

IV. Has “use” been established in accordance with s. 45(1)?

[17] Subsection 45(1) of the *Act* states:

Registrar may request evidence of user

45 (1) The Registrar may at any time and, at the written request made after three years from the date of the registration of a trade-mark by any person who pays the prescribed fee shall, unless the Registrar sees good reason to the contrary, give notice to the registered owner of the trade-mark requiring the registered owner to furnish within three months an affidavit or a statutory declaration showing, with respect to each of the goods or services specified in the registration, whether the trade-mark was in use in Canada at any time during the three year period immediately preceding the date of the notice and, if not, the date when it was last so in use and the

Le registraire peut exiger une preuve d’emploi

45 (1) Le registraire peut, et doit sur demande écrite présentée après trois années à compter de la date de l’enregistrement d’une marque de commerce, par une personne qui verse les droits prescrits, à moins qu’il ne voie une raison valable à l’effet contraire, donner au propriétaire inscrit un avis lui enjoignant de fournir, dans les trois mois, un affidavit ou une déclaration solennelle indiquant, à l’égard de chacun des produits ou de chacun des services que spécifie l’enregistrement, si la marque de commerce a été employée au Canada à un moment quelconque au cours des trois ans précédant la date de l’avis et, dans la négative, la date où

reason for the absence of such use since that date.

elle a été ainsi employée en dernier lieu et la raison de son défaut d'emploi depuis cette date.

[18] “Use” in relation to a trade-mark is defined by s. 2 of the *Act* to mean “use” under s. 4(1):

When deemed to be used

Quand une marque de commerce est réputée employée

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.

4 (1) Une marque de commerce est réputée employée en liaison avec des produits si, lors du transfert de la propriété ou de la possession de ces produits, dans la pratique normale du commerce, elle est apposée sur les produits mêmes ou sur les emballages dans lesquels ces produits sont distribués, ou si elle est, de toute autre manière, liée aux produits à tel point qu'avis de liaison est alors donné à la personne à qui la propriété ou possession est transférée.

[19] The Registrar found that the evidence established use of most of the goods and all of the services during the relevant three year period, and thus satisfied the requirements of s. 45 of the *Act*. Having reviewed the affidavit and exhibits, and the reasons provided by the Registrar, I find no basis to interfere with this aspect of the decision. The only missing piece for the Registrar was evidence that the Applicant had itself used the “M” Design, or that it demonstrated that its relationship with its licensee met the requirements of s. 50(1) of the *Act*:

Licence to use trade-mark

Licence d'emploi d'une marque de commerce

50 (1) For the purposes of this Act, if an entity is licensed by or with the authority of the owner of a trade-mark to use the trade-mark in a country and the owner has, under the licence, direct or indirect control of the character or quality of the goods or services, then the use, advertisement or display of the trade-mark in that country as or in a trade-mark, trade-name or otherwise by that entity has, and is deemed always to have had, the same effect as such a use, advertisement or display of the trade-mark in that country by the owner.

50 (1) Pour l'application de la présente loi, si une licence d'emploi d'une marque de commerce est octroyée, pour un pays, à une entité par le propriétaire de la marque, ou avec son autorisation, et que celui-ci, aux termes de la licence, contrôle, directement ou indirectement, les caractéristiques ou la qualité des produits et services, l'emploi, la publicité ou l'exposition de la marque, dans ce pays, par cette entité comme marque de commerce, nom commercial –ou partie de ceux-ci – ou autrement ont le même effet et sont réputés avoir toujours eu le même effet que s'il s'agissait de ceux du propriétaire.

[20] The new evidence contained in the affidavit of Elias J. Konidas states that the Applicant and the licensee were “corporate affiliates, with each of the Owner and the Licensee having the same ultimate shareholders.” This relationship began in 2008 and continued throughout the relevant period. The affidavit states that the specific uses of the “M” Design shown in the affidavit filed before the Registrar were by the licensee, Metalsmiths, and that it operates the retail stores referenced in that affidavit. Indeed, an exhibit to the affidavit of Peter J. Konidas clearly shows a storefront displaying the “M” Design and the store name “Metalsmiths”. The affidavit also states that the products shown in the prior affidavit were sold by the licensee during the relevant three-year period, and these sales were included in the compilation of sales included with that affidavit.

[21] Finally, the new affidavit includes the Trademark Licence Agreement, with certain financial information redacted. This agreement was effective as of May 9, 2008. It sets out the relationship between the Applicant and the licensee, and it includes extensive provisions relating to quality control. This includes the following requirements: (i) that, upon request by the Applicant, the licensee shall provide random samples of the materials displaying the “M” Design and details of the wares and services offered by the licensee; (ii) that it shall permit the Applicant to inspect the wares and services as well as the locations where the “M” Design is displayed; and (iii) that it shall correct any deficiencies in the wares and services identified by the Applicant.

[22] There was no cross-examination on this affidavit. It provides evidence that the licensee has used the “M” Design, and further that the evidence from the previous affidavit of various products bearing the “M” Design, the sales of products bearing the “M” Design, and services delivered under its banner were sales and services provided by the licensee during the relevant three-year period. The affidavit also provides evidence that the Applicant has an agreement which permits it to exercise control over the “character and quality” of the goods and services associated with the “M” Design, as required by s. 50 of the *Act*. While there is no evidence of steps taken by the Applicant to inspect the wares or services, or otherwise exercise the rights granted to it under the license agreement, the affiant states that “Pursuant to the Licence Agreement, the Owner maintains control over the nature and quality of the goods and services that may be provided by the Licensee in association with the Trademark.”

[23] The procedure under s. 45 of the *Act* is meant to be simple, summary in nature and expeditious, and all that is required is that the trade-mark owner must establish a *prima facie*

case of use in Canada within the relevant period: *Philip Morris Inc v Imperial Tobacco Ltd* (1987), 13 CPR (3d) 289 at p 293, [1987] FCJ No 26 (QL) (FCTD). The burden of proof in doing so is not onerous: *Black & Decker Corporation v Method Law Professional Corporation*, 2016 FC 1109 at para 12; *Spirits International* at para 8. In view of this, I am satisfied that, in the context of a proceeding under s. 45, the evidence contained in the affidavit is sufficient to meet the requirements of s. 50(1): see *The House of Kwong Sang Hong International Ltd v Gervais*, 2004 FC 554 at para 22; *Empresa Cubana Del Tabaco Trading v Shapiro Cohen*, 2011 FC 102 at para 84; *Rex, Inc (Re)* (2007), 65 CPR (4th) 46 at p 51 (CTMOB).

[24] Considering the totality of the evidence, I find that the Applicant has established use of most of the goods and all of the services under its registration during the three-year period prior to the issuance of the s. 45 notice, and further that such use was by a licensee under its direction or control as required by s. 50 of the *Act*. Therefore the registration should not be expunged in its entirety. However, I agree with the Registrar that use has not been established in regard to hair ornaments, pins and brooches in item (7), as well as goods listed in items (3), (5), (6) and (12), and I find that these should be expunged from the registration.

V. Costs

[25] The Applicant submitted a draft bill of costs, using the mid-point of the range under Column III of the *Federal Courts Rules*, SOR/98-106 [the *Rules*] and argued that several recent precedents support its claim for a lump sum costs award in the amount of \$2,750: see *Mcdowell v Laverana GmbH & Co KG*, 2017 FC 327; *Estee Lauder Cosmetics Ltd v Loveless*, 2017 FC 927; *Micro Matic A/S v Taizhou TALOS Sanitary Co Ltd*, 2017 FC 978.

[26] I have a wide discretion as to costs pursuant to Rule 400 of the *Rules*. In this case, the new evidence filed by the Applicant filled in the gaps identified by the Registrar regarding use by the licensee, but this appeal could easily have been avoided. The requirements of s. 50 of the *Act*, to which this evidence relates, are hardly novel or difficult to understand, and meeting the requirements of the provision did not require complex or difficult evidence. This evidence could easily have been placed before the Registrar. This is a relevant consideration regarding whether costs should be awarded: see *Austin Nichols & Co, Inc v Cinnabon Inc*, [1998] 4 FCR 569, 82 CPR (3d) 513, 1998 CanLII 9088 at p 583. On the other hand, the Respondent that launched this s. 45 review did not participate in this hearing, and the Applicant was forced to bring the appeal in order to defend its registration: see *Lewis Thomson & Sons Ltd, v Rogers, Bereskin & Parr* (1988), 21 CPR (3d) 483 (FCTD). Having considered the Applicant's submissions and the jurisprudence, I am awarding costs to the Applicant in the lump sum of \$1,500, inclusive of disbursements, payable by the Respondent.

VI. Conclusion

[27] The application is granted. The Registrar is directed to restore the Applicant's 708 Registration for the "M" Design, but only in respect of the goods and services for which use was established. Since there was no evidence of use within the relevant period of some of the goods, and this aspect of the Registrar's decision was not appealed, I direct that the registration shall be amended to delete hair ornaments, pins and brooches in item (7), as well as goods listed in items (3), (5), (6) and (12). The Respondent shall pay lump sum costs to the Applicant in the amount of \$1,500.

JUDGMENT in T-1175-17

THIS COURT'S JUDGMENT is that:

1. The appeal is granted, and the decision of the Registrar dated May 30, 2017, is set aside.
2. The Registrar of Trade-marks is directed to restore the registration of TMA 584,708, and to amend the list of wares by deleting hair ornaments, pins and brooches in item (7), as well items (3), (5), (6) and (12).
3. Costs are awarded to the Applicant, in the lump sum of \$1,500, inclusive of disbursements, payable by the Respondent.

“William F. Pentney”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1175-17

STYLE OF CAUSE: 1400446 ALBERTA LTD. v. FOGLER, RUBINOFF LLP

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: DECEMBER 12, 2017

JUDGMENT AND REASONS: PENTNEY J.

DATED: JANUARY 25, 2018

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SOLICITORS OF RECORD:

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FOR THE APPLICANT