

Federal Court



Cour fédérale

Date: 20240228

Docket: T-1050-21

Citation: 2024 FC 169

Ottawa, Ontario, February 28, 2024

PRESENT: Mr. Justice Pentney

BETWEEN:

**COMITÉ INTERPROFESSIONNEL DU
VIN DE CHAMPAGNE
and
INSTITUT NATIONAL DE L'ORIGINE ET
DE LA QUALITÉ**

Applicants

and

COORS BREWING COMPANY

Respondent

JUDGMENT AND REASONS

I. Overview

[1] The Applicants, the Comité Interprofessionnel du Vin de Champagne and the Institut National de l'Origine et de la Qualité, appeal a decision of the Registrar of Trademarks that maintained three trademark registrations owned by Coors Brewing Company (the "Respondent", or "Coors").

[2] The Respondent is the registered owner of three trademarks for Miller High Life beer marketed as “The Champagne of Beers”. The three trademark registrations (TMA177,553, TMA319,461 and TMA325,567) correspond to the trademarks: THE CHAMPAGNE OF BEERS, LE CHAMPAGNE DES BIÈRES, and MILLER LABEL & DESIGN (hereafter “the Marks”). The Marks were registered in 1971, 1986 and 1987 respectively.

[3] At the request of the Applicants, the Registrar issued a notice under section 45 of the *Trademarks Act*, RSC 1985, c T-13 [the *Act*], requiring the Respondents to demonstrate use of the Marks within the preceding three year period, and if not to show the date when they were last in use and the reason for the absence of use since that date.


[4] The Respondent acquired the Marks in question by way of assignment six months prior to the expiry of the three-year period, in the context of a major corporate acquisition. Because it had no evidence of use of the Marks, the Respondent invoked sub-section 45(3) of the *Act* and sought to demonstrate the reason for the absence of use during the six-month period after acquisition.

[5] The Registrar accepted the Respondent’s evidence and arguments on this point, and upheld the registrations. The Applicants challenge that decision.

[6] For the reasons that follow, the Applicants’ appeal will be dismissed.

II. Background

[7] This case concerns the following registrations:

Registration Nos.	Trademarks	Goods
TMA177,553	THE CHAMPAGNE OF BEERS	Beer
TMA319,461	LE CHAMPAGNE DES BIÈRES	Beer
TMA325,567	MILLER LABEL & DESIGN 	Brewed alcoholic beverages

[8] Effective October 13, 2016, Molson Coors Brewing Company acquired all assets of Miller Brewing International, Inc., including ownership of the Marks. This acquisition included many assets, involving dozens of brands and numerous Canadian trademark registrations. The evidence before the Registrar showed that the overall acquisition was valued at \$12 billion, and that it doubled the size of Molson Coors Brewing Company. Molson Canada is the Canadian licensee of the owner of the Marks.

[9] At the request of the Applicants, on April 3, 2017, the Registrar issued section 45 notices to the Respondent requiring Coors to show whether the Marks had been used in Canada in association with each of the goods specified in the registration at any time within the three-year period immediately preceding the date of the notice, and, if not, the date when they were last in use and the reason for the absence of use since that date. The relevant period for this case is therefore from April 3, 2014 to April 3, 2017.

[10] The case before the Registrar turned on whether the Respondent had demonstrated special circumstances to excuse the non-use of the Marks during the relevant period. The

Registrar cited the governing authorities on this point, summarized the positions of the parties, and determined that the Respondent had met the test under subsection 45(3) of the *Act*.

[11] The Registrar made two key findings that are the crux of the debate on appeal: (1) since Coors only acquired the Marks six months before the expiry of the three-year period, the acquisition date should be the starting point for the period of non-use; and (2) the non-use was beyond the Respondent's control, because it needed regulatory approval before it could begin to use the Marks and had to undertake certain preparatory work before submitting its applications for approval. These findings are discussed in more detail below.

III. Issues and Standard of Review

[12] There are three issues in this case:

- A. What is the appropriate standard of review?
- B. Did the Registrar err in using the acquisition date as the starting point for the period of non-use?
- C. Did the Registrar apply the wrong test when assessing whether special circumstances excused the non-use of the Marks?

IV. Analysis

A. *What is the standard of review?*

[13] This is an appeal under section 56 of the *Act*. Since the Supreme Court of Canada decision in *Canada (Minister of Citizenship and Immigration) v Vavilov*, 2019 SCC 65, appeals

under section 56 of the *Act* where no new evidence is filed are assessed in accordance with the usual appellate standard of review set out in *Housen v Nikolaisen*, 2002 SCC 33, [2002] 2 SCR 235 [*Housen*]; *Clorox Company of Canada, Ltd v Chlorotec SEC*, 2020 FCA 76 [*Clorox*] at paras 21-22; *Miller Thomson LLP v Hilton Worldwide Holdings LLP*, 2020 FCA 134 [*Miller Thomson*] at paragraph 46.

[14] In this case, although new evidence was filed by the Respondent, it turned out not to be pertinent to the appeal because the additional material related to an issue that was raised by the Applicants in their Notice of Application but not pursued in their written or oral submissions. Therefore, the *Housen* standard of review applies.

[15] In accordance with *Housen*, questions of law are assessed on a correctness standard. Findings of fact and inferences of fact are reviewed on the basis of palpable and overriding error, and this is a very deferential standard: *Clorox* at paragraph 38; *Miller Thomson* at paragraph 120. Findings of mixed fact and law are assessed on the same deferential standard, unless an extricable legal error can be demonstrated, in which case the error is subject to review on the correctness standard.

[16] The parties disagree on the proper characterization of the issues raised in this case. The Applicants assert that the issues raise questions of law subject to correctness review. As discussed below, the Applicants' position is that the Registrar's decision rests on legal errors regarding the period of non-use and the characterization of the rationale for non-use, and therefore the issues raise questions of law. In response, the Respondent characterizes the issues

as matters of mixed fact and law. It submits that the determination of the period of non-use and whether the trademark owner has established special circumstances that excuse the period of non-use are questions that are largely fact-driven, and therefore no question of law or extricable legal question arises.

[17] As explained in more detail below, I find that the first issue is a question of mixed fact and law. I do not accept that there is any fixed legal rule that determines precisely when the period of non-use begins in all cases, and the Registrar applied the appropriate legal tests to the facts of the case. The issue raised by the Applicants on this point is a question of mixed fact and law. Similarly, I find that the question of whether the trademark owner has demonstrated special circumstances that excuse the period of non-use is also a question of mixed fact and law.

[18] For these reasons, I will apply the standard of palpable and overriding error. As noted earlier, this is a highly deferential standard of review. In *Clorox*, the Federal Court of Appeal stated that under this standard the appellant must convince the court that the decision-maker made an error “that is obvious and goes to the very core of the outcome of the case... This is an even more deferential standard of review than the standard of reasonableness applied by the Federal Court” (at paragraph 38).

[19] Before discussing the two key questions raised in this case, it will be useful to describe the legal context, including the nature of a section 45 proceeding, and the law regarding the assessment of non-use under subsection 45(3).

B. *Legal context*

[20] Sub-sections 45(1) and (3) of the *Act* are relevant to the issues raised in this case:

Registrar may request evidence of use

45 (1) After three years beginning on the day on which a trademark is registered, unless the Registrar sees good reason to the contrary, the Registrar shall, at the written request of any person who pays the prescribed fee — or may, on his or her own initiative — give notice to the registered owner of the trademark requiring the registered owner to furnish within three months an affidavit or a statutory declaration showing, with respect to all the goods or services specified in the registration or to those that may be specified in the notice, whether the trademark 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 reason for the absence of such use since that date.

Effect of non-use

(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 trademark, either with respect to all of the goods or services

Le registraire peut exiger une preuve d'emploi

45 (1) Après trois années à compter de la date d'enregistrement d'une marque de commerce, sur demande écrite présentée par une personne qui verse les droits prescrits, le registraire donne au propriétaire inscrit, à moins qu'il ne voie une raison valable à l'effet contraire, 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 ou que l'avis peut spécifier, 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 elle a été ainsi employée en dernier et la raison pour laquelle elle ne l'a pas été depuis cette date. Il peut cependant, après trois années à compter de la date de l'enregistrement, donner l'avis de sa propre initiative.

Effet du non-usage

(3) Lorsqu'il apparaît au registraire, en raison de la preuve qui lui est fournie ou du défaut de fournir une telle preuve, que la marque de

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 trademark is liable to be expunged or amended accordingly.

commerce, soit à l'égard de la totalité des produits ou services spécifiés dans l'enregistrement, soit à l'égard de l'un de ces produits ou de l'un de ces services, n'a été employée au Canada à aucun moment au cours des trois ans précédant la date de l'avis et que le défaut d'emploi n'a pas été attribuable à des circonstances spéciales qui le justifient, l'enregistrement de cette marque de commerce est susceptible de radiation ou de modification en conséquence.

[21] The section 45 requirement that a trademark owner demonstrate use of the Mark in the past three years flows from the foundational principle of trademark law in Canada, as described by the Supreme Court of Canada in *Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22 [*Mattel*] at paragraph 5:

Unlike other forms of intellectual property, the gravamen of trademark entitlement is actual use. By contrast, a Canadian inventor is entitled to his or her patent even if no commercial use of it is made. A playwright retains copyright even if the play remains unperformed. But in trade-marks the watchword is “use it or lose it”. In the absence of use, a registered mark can be expunged (s. 45(3)).

[22] Section 45 proceedings are summary in nature. They are intended to clear the Register of trademarks that are no longer in use, sometimes referred to as “dead wood”, rather than to address contentious issues of trademark ownership or infringement. Evidentiary overkill is not required. An owner need only establish a *prima facie* case of use, and evidence of a single sale of

a good bearing the trademark may be sufficient: see *Sport Maska Inc v Bauer Hockey Corp*, 2016 FCA 44 [*Sport Maska*] at paragraph 55.

[23] There is a public interest dimension to section 45 proceedings, as evidenced by the fact that anyone can initiate a notice and can then make representations to the Registrar and launch or participate in an appeal: *Sport Maska* at paragraph 57. It has long been recognized that section 45 proceedings serve as a summary and expeditious way to clear the Trademarks Register of marks that have fallen into disuse, or were never used following registration. By this means, the monopoly on the use of the marks is not prolonged, and others who may seek to use the words or symbols are not needlessly prevented from doing so.

[24] Although the general rule in trademark law is “use it or lose it”, the *Act* does not require that a trademark owner demonstrate use at all times. Section 45 merely requires that an owner produce evidence of use at some point during the previous three-year period. In addition, subsection 45(3) provides a limited safety valve for owners, who can avoid expungement by demonstrating why their trademarks have not been in use. The test for assessing non-use of a trademark under subsection 45(3) was initially set out in *Canada (Hearing Officer of Trade Marks) v Harris Knitting Mills Ltd*, [1985] FCJ No 226, 4 CPR (3d) 488 (FCA), [*Harris Knitting Mills*]. This decision confirms a number of core principles that guide the “non-use” analysis, including:

1. The general rule is that absence of use is penalized by expungement;

2. The absence of use can be justified by “special circumstances”, meaning “they must be circumstances not found in most cases of absence of use of a mark”; and
3. These special circumstances must be circumstances to which the absence of use is due.

[25] The Court of Appeal found several considerations to be relevant to excuse absence of use, including the duration of the absence of use, the likelihood it will last a long time, and whether the absence of use was “due solely to a deliberate decision on the part of the owner of the mark rather than to obstacles beyond his control.” The criteria were clarified in *Scott Paper Limited v Smart & Biggar*, 2008 FCA 129 [*Scott Paper*] at paragraph 22:

The conclusions to be drawn from this analysis are, it seems to me, the following:

- 1-The general rule is that absence of use is penalized by expungement.
- 2-There is an exception to the general rule where the absence of use is due to special circumstances.
- 3-Special circumstances are circumstances not found in most cases of absence of use of the mark.
- 4-The special circumstances which excuse the absence of use of the mark must be the circumstances to which the absence of use is due.

[26] The *Scott Paper* decision clarified the elements of the test. Subsequent decisions have found that it increased the focus on the second of the *Harris Knitting* factors, that is, whether the non-use was beyond the control of the registered owner is to be treated as a mandatory consideration. These decisions have found that if that factor is not met, the non-use will not fall

within the exception no matter how strong the other elements may be (See, for example, *One Group LLC v Gouverneur Inc*, 2016 FCA 109 [*One Group FCA*] at paragraph 7). Second, *Scott Paper* underlined that the special circumstances which excuse the absence of use must be the circumstances to which the absence of use is due. The latter point was explained in *Scott Paper* as follows (para 23): “The point here is not the nature of the special circumstances, but simply that the special circumstances refer to the cause of the absence of use, and not to some other consideration.”

[27] The findings in *Scott Paper* illustrate how these principles are applied. In that case, the Federal Court of Appeal found that “it is clear that the 13 year absence of use was due to a deliberate decision not to use the mark” (at paragraph 26). The owner’s intention to resume use of the mark and the steps taken towards that goal “cannot amount to special circumstances which excuse the non-use of the trademark.” (*Scott Paper* at paragraph 28). The fact that the decision was driven by market conditions and the owner clearly intended to resume use of the trademark at some point in the future might explain why the trademark was not in use but did not constitute “special circumstances” which would excuse it, pursuant to subsection 45(3) (*Scott Paper* at paragraph 31).

[28] The final element of the legal framework worth noting here is that the findings of fact made by the Registrar in assessing non-use under the provision are owed deference, in particular because the statute does not define the term “special circumstances” and thus the Registrar has a “broad discretion” to “consider the evidence specific to each situation.”: *One Group FCA* at paragraph 14.

[29] With this background, I turn to a discussion of the issues raised in this case.

C. *Did the Registrar err in using the acquisition date as the starting point for the period of non-use?*

(1) Registrar's Decision

[30] Coors did not produce any evidence demonstrating use of the Marks by the previous owner during the three-year period. Instead, it relied on subsection 45(3), arguing that its period of non-use commenced on the date it acquired the Marks. The Registrar accepted the acquisition date as the starting point for assessing non-use.

[31] The Registrar found that an assignment or change in title for a Mark does not in itself constitute a special circumstance. However, in light of the evidence about the scope and scale of the acquisition in this case and the fact that it occurred a mere six months before the notices, the Registrar found the following:

I accept that the Owner's recent sizable acquisition here, a mere six months before the notices, can be considered a special circumstance not found in most cases of absence of use, in particular as there also existed additional circumstances beyond the control of the Owner which, weighed against the length of time without use of the Subject Trademarks, excused such absence of use, as will be further discussed below.

[32] Having noted the divergent positions of the parties on the relevant date for assessing non-use, the Registrar went on to discuss the case-law. On this, the Registrar found that "where a trademark was recently acquired by a new owner, a number of cases have considered the acquisition date as the relevant date when assessing non-use...." The Registrar found that "it would be an overly burdensome and technical approach to require the current owner to justify

alleged non-use for a period of several decades when it only acquired the Subject Trademarks six months prior to the date of the notices and is not in a position to attest to the use or absence of use of the marks by the previous owner...”.

[33] Lastly, the Registrar discussed a case relied on by the Applicants, *Dentons Canada LLP v CanWhite Sands Corp*, 2020 TMOB 95 [*CanWhite Sands*], where the Trademarks Opposition Board (“TMOB”) refused to consider the acquisition date as the relevant date for assessing non-use. This case is discussed in more detail below. At this stage, it is sufficient to note that the Registrar found that “each case must be assessed on its own facts and as this was acknowledged in *Dentons* at paragraph 37, it may be appropriate to accept the acquisition date to assess the length of use in some cases. In my view, this is one of those cases.”

(2) Applicants’ Submissions

[34] The Applicants submit the Registrar’s use of the acquisition date to assess the period of non-use is an error of law, because: (i) it is contrary to the plain wording of section 45 and the use requirement in trademark law; (ii) it ignores broader common law property principles; and (iii) it runs counter to jurisprudence on section 45 proceedings. The Applicants assert that the approach adopted by the Registrar effectively enables a trademark owner to use an assignment as a re-set button and completely disregards the real length of the non-use of the trademark.

[35] According to the Applicants, the wording of section 45 is clear and unambiguous. It provides that upon receiving a notice, a trademark owner is required without exception to show whether the trademark was in use in Canada at any time during the three-year period

immediately preceding the notice and, if not, the date when it was last in use and the reason for the absence of use since that date. The requirement to establish the date when the trademark was last in use is mandatory. Failing that, the Applicants argue that the date of registration must be used as the starting point for assessing the length of non-use. They point out that there is nothing in the *Act* to suggest that the mandatory requirement to show the date of last use changes or does not apply in the case of an assignment of the trademark.

[36] The Applicants submit that determining the date of last use is essential because the justification of non-use will depend, in part, on whether it was for a short or long period. They cite the following passage from *Scott Paper* at paragraph 22, which in turn relies on *Harris Knitting*: “The duration of the absence of use and the likelihood it will last a long time are important factors in this regard, however; circumstances may excuse an absence of use for a brief period of time without excusing a prolonged absence of use...”

[37] The requirement to establish the date of last use is consistent with the purpose of section 45, which is to clear the Register of marks that have fallen into disuse. The Applicants argue the interest that an owner may express in their trademark is not the focus of the section 45 analysis; instead, it is the trademark and whether it is in use that is the central consideration. To benefit from the Canada-wide monopoly granted by trademark law, owners must demonstrate use. This flows from the central purpose of trademark law itself, as expressed in *Mattel*.

[38] The Applicants’ argument that the Registrar’s approach is contrary to common law property principles begins with the proposition that trademarks are property rights, subject to

similar principles as tangible property. They submit that using the date of assignment as the starting point for assessing non-use runs counter to the basic tenet that a buyer acquires no better title to a good than the seller had. Under this approach, a new owner acquires a trademark registration in the state that it was before the transaction.

[39] According to the Applicants, it is implausible for a trademark owner to claim ignorance as to the state of a trademark registration prior to its acquisition. The practical value of a registered trademark depends in large part on whether it is valid, which in turn depends on whether it has been used in association with the goods or services. The Applicants submit that the Registrar therefore erred in concluding that a sophisticated party like the Respondent would not have performed the simplest due diligence on the use of the trademarks, in the course of a transaction worth approximately \$12 billion.

[40] A key element of the Applicants' argument on this point is their claim that the Registrar erred by failing to follow the TMOB's decision in *CanWhite Sands*, which they say is more consistent with *Harris Knitting* and *Scott Paper* than the other decisions relied on by the Registrar. The Applicants point out that many of these earlier decisions pre-date the Federal Court of Appeal's decision in *Scott Paper*, which clarified how the criteria set out in *Harris Knitting* should be applied. In particular, *Scott Paper* underlined that undue emphasis should not be placed on the owner's intention to resume use of the mark, and this undercuts the value of these earlier precedents.

[41] The Registrar also cited other decisions which were issued after *Scott Paper*; the Applicant relies on the finding in *CanWhite Sands* that these decisions did not necessarily take into account the clarification provided by *Scott Paper*.

[42] Finally on this point, the Applicant submits that this entire line of cases is based on a mis-reading of the fountainhead case of *Arrowhead Spring Water Ltd v Arrowhead Water Corp*, (1992), 44 CPR (3d) 412 (TMOB); aff'd [1993] FCJ No 38, 47 CPR (3d) 217 (FCTD) [*Arrowhead Spring Water*]. The argument on this line of cases is discussed in more detail below.

(3) Respondent's submissions

[43] The Respondent, Coors, argues that the Applicants' position cannot be accepted for four reasons. First, they say that the Registrar is not required to follow another TMOB decision. Each section 45 case must be assessed on its own merits, in particular because determining the date of non-use is an intensely fact-driven exercise.

[44] Second, Coors submits that the Applicants' position is based on a mis-reading of both *CanWhite Sands* and the Registrar's decision in the instant case. Coors says that it appears that the Applicants seemingly interpret *CanWhite Sands* to stand for the proposition that it is always inappropriate to use the date of assignment as the relevant date. But it says no such thing, based on the plain wording of the decision in that case. Instead, according to Coors, *CanWhite Sands* is based on its own particular facts and circumstances.

[45] In addition, Coors says that the Applicants mis-interpret the Registrar's decision in the instant case, in that their argument rests on the assertion that the Registrar felt that she was bound, as a matter of law, to use the assignment date as the relevant date. Coors argues that the decision is based on the evidence in the record before her, and the Registrar did not state she was bound to apply an iron-clad rule.

[46] Third, Coors submits that the Registrar did not make any error, let alone one that is palpable and overriding, in deciding to exercise her discretion to choose the assignment date in light of the evidence in this case. On this point, the Respondent notes that a very recent TMOB decision used the acquisition date in a case where the owner acquired the mark seven months before the section 45 notices were issued: *PNC IP Group Professional Corp v Mark Anthony Group*, 2021 TMOB 268 [*Mark Anthony*] at paragraph 30. Coors says that the Applicants' position is paradoxical, insofar as it does not argue that the decision here was inconsistent with the law; rather, the Applicants contend that the decision was consistent with the previous case-law but those decisions are wrong.

[47] Furthermore, Coors says that the Applicants' reliance on *Scott Paper* is misplaced, because in that case the hearing officer used the assignment date as the relevant date and this was accepted on appeal. Coors argues that there is no authority for the proposition that it is an error of law to use the date of recent acquisition as the relevant date for the purposes of a special circumstances analysis under subsection 45(3). Instead, the law supports a factual inquiry to support the Registrar's exercise of discretion as to the appropriate date to use in each specific

case. Coors submits that this is precisely the sort of inquiry that the Registrar undertook in this case and it was not an error to do so.

[48] Fourth, Coors challenges the Applicants' assertion that policy considerations weigh in favour of its position. It says that various prior decisions of the TMOB, and the Registrar in the instant case, found that the approach proposed by the Applicants is overly technical and inconsistent with the summary nature of a section 45 expungement proceeding. Furthermore, Coors submits that requiring new owners to account for long periods of non-use before the purchase date may have a chilling effect on the purchase of unused trademarks, which in turn will delay or hinder their revival and reintroduction into the market.

[49] According to Coors, section 45 was never intended to expunge trademarks that are not in use at the very instant they are acquired. Instead, the provision allows for a three year period, to give a new owner time to take the necessary steps to resume use of the trademark. From a policy perspective, Coors submits that section 45 should not be interpreted to impose onerous and mandatory due diligence requirements on a purchaser to gather evidence and documents to establish a seller's past use of their trademarks, especially in the context of a large transaction.

[50] As for the property rights argument advanced by the Applicants, Coors submits that using the date of assignment does not give the new owner any better rights than the seller had, but rather gives the owner an asset that is no worse off than what they acquired. Such an approach gives the new owner a legitimate opportunity to make the acquired trademark an asset by putting it into use, and this is consistent with the purposes of the *Act* as a whole.

(4) Discussion

[51] I am not persuaded by the Applicants' position that the Registrar made an error of law, reviewable on a standard of correctness, in using the acquisition date as the starting point for the period of non-use.

[52] I find the determination of the appropriate date for assessing the period of non-use to involve a question of mixed fact and law. The Registrar did not state that she was bound, as a matter of law, to use the acquisition date as the starting point for the period of non-use. Instead, I find that the Registrar examined the relevant jurisprudence on this point, and applied the tests derived therefrom to the facts of this particular case. This involved an assessment of whether there were "special circumstances" that excused the period of non-use, which in turn required a determination of when the period of non-use began, in the circumstances of this case. These are findings of mixed fact and law.

[53] The Registrar first determined that there were special circumstances. In so finding, the Registrar stated:

I agree that an assignment or change in title in itself does not constitute a special circumstance [*Taogosei Co v Servicios Corporativos De Administracion GMZ, SA De CV* (1999), 3 CPR (4th) 275 (TMOB)]. There are a number of cases wherein a recent assignment or the acquisition of a trademark during the relevant period was held to excuse non-use for a short period of time, as it was reasonable to assume that the new owner would need some time to make arrangements concerning the use of a newly acquired trademark. However, the reasons for non-use in these cases were not solely due to the recent acquisition of a trademark; there were additional circumstances deemed beyond the control of the owner which reasonably affected the timing of the reintroduction of the goods associated with the trademark at issue. In each case, active

steps were also taken to resume use prior to the issuance of the section 45 notice. [*Morrison Brown Sosnovitch LLP v Jax and Bones Inc*, 2014 TMOB 280 at para 23] (emphasis in original)

[54] On the facts, the Registrar found that the size of the acquisition (approximately \$12 billion) and that it occurred a mere six months before the notices, “can be considered a special circumstance not found in most cases of absence of use...” The Registrar also noted that there were additional circumstances beyond the control of the owner, which excuse the absence of use. These additional factors are discussed in the next section.

[55] Turning to the start date for the period of non-use, the Registrar’s decision sets out the parties’ positions, and then notes that “where a trademark was recently acquired by a new owner, a number of cases have considered the acquisition date as the relevant date when assessing non-use... [citations omitted].” The Registrar also noted that “such an approach was even considered appropriate where there had not been use of a trademark since its registration...” citing *Cassels Brock & Blackwell LLP v Registrar of Trade-marks*, 2004 FC 753 at paragraphs 17 and 25).

[56] Next, the Registrar considered the factual matrix of this particular case. The analysis begins by noting that Coors had submitted that “Molson Canada does not have any records relating to the use of the Subject Trademarks by the previous owner prior to their sale” and found that requiring the current owner to explain why the previous owner may or may not have used the Marks since their dates of registration would place too great an onus on the current owner:

In my view, it would be an overly burdensome and technical approach here to require the Owner to justify alleged non-use for a period of several decades when it only acquired the Subject Trademarks six months prior to the date of the notices and is not in

a position to attest to the use or absence of use of the marks by the previous owner [see *GPS (UK) v Rainbow Jean Co* (1994), 58 CPR (3d) 535 (TMOB) for a similar conclusion in respect of trademark transfer two months before the notice; see also *Morrison Brown Sosnovitch LLP v Jax and Bones Inc*, 2014 TMOB 280].

[57] In addition, the Registrar discussed *CanWhite Sands*, an authority relied on by the Applicants, where the Board refused to consider the acquisition date as the relevant date for assessing non-use. Given the emphasis placed by the Applicants on this decision, it is worth quoting the Registrar's discussion of it in full:

Finally, I am well aware that in *Dentons Canada LLP v CanWhite Sands Corp*, 2020 TMOB 95, the Board refused to consider the acquisition date as the relevant date to assess the length of non-use. Nevertheless, each case must be assessed on its own facts and as this was acknowledged in *Dentons* at para 37, it may be appropriate to accept the acquisition date to assess the length of non-use in some cases. In my view, this is one of those cases.

[58] In my view, two points are clear from the foregoing discussion of the Registrar's analysis. First, it followed the steps set out in the jurisprudence, by assessing whether special circumstances existed and determining when the date of non-use began. Second, it does not indicate that the Registrar felt bound as a matter of law to use the date of acquisition as the starting point for assessing non-use. Instead, the Registrar clearly found that this was a factual inquiry, and that previous decisions had found the date of acquisition to be appropriate, while the recent decision in *CanWhite Sands* did not. The Registrar's statement that "each case must be assessed on its own facts" stands in direct contrast to the Applicants' position that the Registrar erred in automatically applying the acquisition date as the starting point for assessing non-use.

[59] The Applicant submitted that six of the ten cases relied on by the Registrar pre-date the Federal Court of Appeal's clarification of *Harris Knitting* in its *Scott Paper* decision, and that these decisions wrongfully focus on the owner's intention to resume use of the trademark. The Applicant also argues that the four more recent cases cited by the Registrar should be discounted because, as was found in *CanWhite Sands*, they are contrary to *Scott Paper*. In sum, the Applicant argues that the entire line of authority relied on by the Registrar is based on a misreading of the fountainhead case, *Arrowhead Spring Water*.

[60] I am not persuaded that the Registrar erred in choosing to follow a long-established line of authority on the question of the starting point for assessing non-use where the owner recently acquired rights to the trademark in issue. It appears that the parties advanced different lines of authority, because the Registrar cited them. In doing so, the Registrar found it appropriate to follow one line, and declined to follow the reasoning in *CanWhite Sands*. That is a choice that was open to the Registrar, in light of the state of the jurisprudence. This is not a situation where the Registrar's approach diverged from a lengthy and consistent line of authority, without explaining why a different approach was warranted. On this point, the Respondent pointed to a recent TMOB decision released several months after the Registrar's decision in the instant case, where the hearing officer decided not to follow *CanWhite Sands*, employing reasoning that is very similar to the analysis in the instant case: *Mark Anthony Group*.

[61] Furthermore, I note that in the more recent cases cited by the Registrar, the hearing officer stated that the date of assignment or acquisition is "generally" used as the starting point for assessing non-use: see *Hudson's Bay Co v Bombay & Co Inc*, 2013 TMOB 159 at paragraph

16; *Morrison Brown Sosnovitch LLP v Jax and Bones Inc*, 2014 TMOB 280 at paragraph 21; *Protein 2 O LLC v Inutrition Inc*, 2019 TMOB 6 at paragraph 20; *Supreme Brands LLC v Joy Group OY*, 2019 TMOB 45 at paragraph 47. This wording indicates that the various hearing officers dealing with these cases did not feel bound to apply the assignment or acquisition date, but rather recognized that they could choose to do so in the particular circumstances of each case.

[62] In using the assignment date as the starting point, the Registrar (and the other hearing officers dealing with these other cases) were acting in a manner consistent with *Scott Paper* itself. As Coors pointed out, in that case the hearing officer had decided to use the date of acquisition as the starting point for assessing non-use (*Scott Paper Co v Lander Co Canada* (1996), 67 CPR (3d) 274 (TMOB)). In that case, the registrant had purchased the trademark in question three months prior to the section 45 notice, and the hearing officer found that it would be overly technical to require the owner to show the date of last use as a condition precedent to answering a section 45 notice. Instead, the hearing officer found that:

[I]n circumstances where there has been a recent assignment of a trade-mark, the period of non-use has been considered as starting from the date the trade-mark was assigned as it was considered an overly technical approach to require a new owner to justify an absence of use of the mark by its predecessor(s).

It may be that under certain circumstances, such an approach may not be considered reasonable. However, I am not satisfied that this is that type of case...

[63] On appeal, this approach was not challenged, and the finding was not disturbed by the Federal Court of Appeal: *Scott Paper* at paragraph 7. In the result, the hearing officer's decision was overturned because it placed undue emphasis on the new owner's intention to resume use

and discounted the significance of the fact that the non-use was the result of a deliberate decision of the owner. However, no question was raised or doubt expressed about the finding that the date of assignment was the starting point for assessing non-use.

[64] The Applicants seek to limit the effect of this, arguing that *CanWhite Sands* can be reconciled with *Scott Paper* because the assignment in the latter case occurred thirteen years prior to the section 45 notice, and there was no challenge to the non-use of the trademark in the intervening period. In a case where the assignment long preceded the issuance of the section 45 notice, according to the Applicant, the analysis does not focus on the new owner's intention to resume use, but rather on the circumstances surrounding the non-use of the trademark during a significant period of time.

[65] I am not persuaded by the Applicants' argument on this point. The fact that the hearing officer in *Scott Paper* decided to use the acquisition date as the date of last use, in the absence of any evidence of prior use, is another in a line of authorities where such an approach has been adopted. The fact that it was not challenged, and that the Court of Appeal did not comment adversely on it, is a relevant consideration. Moreover, the hearing officer's finding in *Scott Paper* is inconsistent with the Applicants' position that it is mandatory to require an owner to show the date of last use. If anything, *Scott Paper* confirms that this is a fact-driven exercise, where the timing of the acquisition vis-à-vis the issuance of the notice is one of the relevant considerations.

[66] As for the Applicant's property rights argument, I agree with the position advanced by Coors. Using the acquisition date does not give the new owner anything the former owner did not already possess. Under the *Act*, absent any assignment or sale of the rights to a trademark, upon issuance of a section 45 notice, in the absence of proof of use during the relevant three-year period, the trademark owner has the opportunity to demonstrate special circumstances excusing the period of non-use, and the opportunity to put the trademark back into use. After acquisition, the new owner had exactly the same right.

[67] To the extent policy considerations are a relevant factor, I find that there are arguments on both sides of the equation. It has long been the law that a trademark owner must demonstrate use of its mark; in the often-cited words of former Chief Justice Thurlow in *Aerosol Fillers Inc v Plough (Canada) Ltd* (1980), 53 CPR (3d) 62 (FCA) at page 66: "There is no room for a dog in the manger attitude on the part of registered owners who may wish to hold on to a registration notwithstanding that the trade mark is no longer in use..." Requiring an owner to show the date of last use is consistent with such an approach, and is a factor that should not easily be discounted.

[68] However, I agree with the argument advanced by Coors, that the fact that section 45 allows an owner to demonstrate use at any point during the three years preceding the notice, and the express allowance for non-use under subsection 45(3), both indicate that Parliament did not intend for expungement to follow automatically upon any gap in use of the trademark. The case-law also reflects the practical considerations associated with the acquisition of a trademark, which may include issues internal to the owner, for example integrating new staff, planning new

business approaches, or developing new supply or marketing arrangements: see *Fairweather Ltd v Registrar of Trademarks*, 2006 FC 1248 at paragraph 8. It may also include factors external to the new owner, such as meeting regulatory requirements: see, for example, *Cassels Brock & Blackwell LLP v Registrar of Trademarks*, 2004 FC 753 at paragraph 25.

[69] In view of this, I am not persuaded that the policy considerations, to the extent they are relevant, favour the Applicants' position. The Registrar's findings on this are entitled to deference, for the reasons set out in *One Group FCA*.

[70] For the reasons set out above, I am not persuaded that the Registrar's determination that the date of acquisition was an appropriate starting point for assessing non-use constituted an error of law. I find that this is a question of mixed fact and law, and I do not find any palpable and overriding error in the Registrar's analysis of this question. The fact that another hearing officer, or this Court, might have come to a different conclusion does not meet the test. The Registrar's reasoning was grounded in the applicable legal principles as applied to the facts of this case. There is no basis to disturb this finding.

D. *Did the Registrar apply the wrong test for determining whether the special circumstances excused the non-use of the Marks?*

(1) Applicant's submissions

[71] The Applicant submits that the Registrar erred in two ways: (1) by failing to apply the last factor set out in *Scott Paper* (at paragraph 22) which requires that the special circumstances must be the circumstances to which the absence of use is due; and (2) by failing to assess whether the absence of use was for reasons beyond the owner's control.

[72] The Applicants submit that the Registrar's failure to apply the entirety of the *Scott Paper* test resulted in a mistaken focus on the owner's actions after acquisition, rather than the 30 years that preceded it. They say that approach is directly contrary to the teaching of *Scott Paper*, and also inconsistent with *CanWhite Sands*, where the hearing officer found at paragraph 33 that "the fact that the Owner was not the owner of the Mark was not the reason for non-use of the Mark. Presumably, non-use was due to the inactivity or some other circumstance of the previous owner."

[73] In this case, according to the Applicants, the recent acquisition of the Marks and preparatory steps towards obtaining regulatory approval and entering the market were not the reasons for the non-use prior to October 2016 and prior to the issuance of the section 45 notices on April 3, 2017. They say that if products bearing the Marks had been sold in Canada prior to the acquisition, the new owner would have simply continued to sell the product and would therefore have proof of its use of the Marks during the relevant period. Instead, the evidence filed by Coors relates entirely to the period following its acquisition of the Marks. This evidence describes the launch of a "new product" in response to requests from customers over the past 20 years that the Miller High Life brand be brought to Canada. The Applicants argue that this evidence confirms that the Marks were not in use prior to the acquisition, presumably (as in *Scott Paper* and *CanWhite Sands*) due to the deliberate choice of the prior owner.

[74] Rather than focusing on the absence of evidence for the lengthy period of non-use in this case, the Registrar instead supported her decision by referring to the efforts of Coors to conduct a market assessment, prepare labels and other marketing material, and to obtain regulatory

approval. The Applicants submit this is illogical and wrong, because steps taken after the delivery of the section 45 notice cannot be the reason for the absence of use before the notice was issued. They argue that the Registrar's approach is contrary to the guidance in *Scott Paper*, where the Federal Court of Appeal stated explicitly "plans for future use do not explain the period of no-use and therefore cannot amount to special circumstances" (*Scott Paper* at paragraph 28).

[75] The Applicants contend that the Registrar made a second error by failing to assess whether the special circumstances excusing non-use were beyond the Respondent's control. Even accepting that the acquisition combined with seeking regulatory approval were the reasons for non-use, the Registrar was still required to assess whether they were beyond the Respondent's control. The Applicants submit that the Registrar accepted that an assignment, in and of itself, is not a circumstance beyond the owner's control. They say that in this case, the Respondent made a deliberate business decision about when to purchase the Marks in question, and this was entirely within their control.

[76] With regards to seeking regulatory approval, the Applicants submit that the Respondents made a deliberate business decision to delay that process while they undertook market research to gauge interest in Miller High Life beer in the Canadian market. This was the Respondent's choice, and entirely within their control.

[77] For these reasons, the Applicant argues that the Registrar's decision must be overturned, because these errors are fatal insofar as they directly contradict the key elements of the leading authority in *Scott Paper*.

(2) Respondent's Submissions

[78] The Respondent submits that the Registrar articulated the correct legal test, and that the Applicants have failed to demonstrate any palpable and overriding error in the Registrar's application of the law to the facts. Even if the Registrar did not explicitly quote from the fourth element of the *Scott Paper* test, a fair reading of the decision confirms that she focused on the proper issue, which is whether there were special circumstances that excused the non-use of the Marks.

[79] In this respect, the Respondent argues that the Court should apply the Federal Court of Appeal decision in *One Group FCA*, where the hearing officer's failure to specifically refer to the clarifications of the test in *Scott Paper* was found not to be fatal:

[13] Like the Federal Court judge, I am not convinced that the Registrar erred in law in his application of the legal tests. Although his statement of the applicable principles is somewhat lacking in clarity, it seems clear to me that he considered the applicable case law and that he focused on the true issue, that is, whether there were special circumstances that excused the non-use of the Mark.

[80] In the instant case, the Respondent notes that the Registrar accepted their explanations for non-use, and found that these met the definition of "special circumstances" set out in *John Labatt Ltd v The Cotton Club Bottling Co* (1976), 25 CPR (2d) 115 (FCTD) at paragraph 123. The Registrar then considered whether such special circumstances excused the period of non-use,

applying the criteria set out in *Harris Knitting*, specifically the duration of non-use, whether the absence of use was beyond the owner's control, and whether there was a serious intention to shortly resume use. The Respondent points out that the Registrar also specifically cited the clarification in *Scott Paper* to the effect that the second criteria was mandatory.

[81] According to the Respondent, the Registrar's application of the legal test to the facts is based on a detailed review of the evidence and clearly explained in the decision. In particular, the Registrar found that the recent assignment and large scale of the acquisition, combined with the requirement to obtain regulatory approval and undertake preparatory steps before entering the market, constituted "special circumstances" not usually found in most cases of absence of use.

[82] The Registrar then turned to consider the legal test for assessing whether the special circumstances excused the absence of use, finding the duration of non-use to be brief, based on the finding that the starting point was the date of acquisition of the rights to the Marks (i.e. October 2016 to April 2017). Second, the Registrar found that the requirement to comply with provincial regulatory requirements for the sale of alcohol was a circumstance beyond the control of the Respondent, and while the regulatory application process was initiated after the issuance of the notice, preparatory steps were begun prior to that date. On this point, the Respondent submits that it is important that the Registrar accepted that product packaging had to be prepared because the packaging had to accompany the applications for regulatory approval. Finally, the Registrar found that the evidence demonstrated a serious intention to resume use.

[83] Based on the statement of the applicable legal principles and their application to the facts of this case, the Respondent submits that the Applicants' argument should be rejected.

(3) Discussion

[84] I am not persuaded by the Applicants' arguments on this point. The Registrar correctly stated the applicable legal principles, and applied them to the facts of the case. While the analysis in the decision could have been clearer in regard to the fourth element of the test as stated in *Scott Paper*, this is not a fatal error. The conclusion in *One Group FCA* at paragraph 13 applies with equal force here, because I find that the Registrar "considered the applicable case law and...focused on the true issue, that is, whether there were special circumstances that excused the non-use of the Mark."

[85] Starting with the legal principles, I can find no error in the Registrar's description, and the Applicants do not focus their argument on this aspect of the decision. The Registrar's statement of the legal principles is thorough and accurate, noting that the first step was to determine why the trademarks were not used during the relevant period. Next, the Registrar found that she had to determine whether the reasons for non-use constituted special circumstances, citing *Harris Knitting*, and noting that the term had been defined to mean circumstances or reasons that are "unusual, uncommon or exceptional", citing *Cotton Club*. The Registrar then elaborated on the legal tests that apply, citing the three criteria set out in *Harris Knitting*, noting the clarification of these in *Scott Paper*, and finally observing that intention to resume use must be substantiated by the evidence, citing *Arrowhead Spring Water* and *NTD Apparel Inc v Ryan* (2003), 27 CPR (4th) 73 (FCTD).

[86] Turning to the application of these principles to the facts of this case, the Registrar first determined that while an assignment or change in title does not, in itself, constitute a special circumstance, in this case the recent sizable acquisition “can be considered a special circumstances not found in most cases of absence of use, in particular as there also existed additional circumstances beyond the control of the Owner...” Based on this, the Registrar went on to examine the criteria for assessing whether the special circumstances excused the period of non-use.

[87] In applying the criteria set out in *Harris Knitting* and clarified in *Scott Paper*, the Registrar accepted (as discussed previously) that the acquisition date was the starting point for the period of non-use, and therefore it was only of a brief duration. This is significant because the Registrar correctly noted that *Harris Paper* established that “reasons that may excuse a brief period of non-use may not excuse an extended one; in other words, the reasons for non-use will be weighed against the length of period of non-use.”

[88] Finally, the Registrar examined whether the non-use was beyond the Respondent’s control. On this point the Registrar stated that compliance with legal or regulatory requirements associated with launch of (and as prerequisite to use) a trademark in Canada may be considered a circumstance beyond the control of the owner, but efforts to comply with such requirements must be substantiated by evidence of active steps taken to obtain regulatory approval. No issue can be taken with this statement of the governing legal principles.

[89] In applying these principles to the facts of the instant case, the Registrar summarized the evidence on the regulatory regime that governed liquor sales, noting that it is provincially regulated and the Respondent therefore required approval from various provincial liquor licensing bodies before it could use the trademark. This requirement was found to be beyond the Respondent's control. As to the timing of the actual regulatory application processes, the Registrar observed that while Molson Canada filed the applications after the relevant period, its preparatory work including the development of product packaging had commenced before the notice was issued. The Registrar accepted that the Quebec regulator required the submission of finished product packaging with Canadian specific labelling, and noted that product packaging and labels were also submitted to the Ontario and British Columbia regulators.

[90] As to the serious intention to shortly resume use, the Registrar reviewed the evidence about the preparatory steps taken by the Respondent, including the development of preliminary product concepts, surveys of the consumer market, preparation of a launch plan as well as the development of Canadian packaging and the initiation of the regulatory application process. The Registrar noted that the first production of canned beer under the Marks was scheduled in October 2017, and product launches were planned before the end of 2017. Based on these efforts, the Registrar found that the Respondent had "provided a sufficient factual basis substantiating its serious intention to quickly resume use of the Subject Trademarks."

[91] In conclusion, the Registrar stated "I find that a fair review of the whole of the [Respondent's] evidence is sufficient to show special circumstances excusing the absence of use of the Subject Trademarks as required by section 45(3) of the Act."

[92] The Applicants are correct to point out that the Registrar did not specifically cite to the fourth criteria in *Scott Paper* in this part of the decision. They argue that the Registrar mistakenly emphasized the Respondent's intention to resume use, instead of focusing on the essential factor of whether the special circumstances which excuse the absence of use of the mark were the circumstances to which the absence of use was due, as required by *Scott Paper*. The Applicants submit that this is precisely the type of error that the Federal Court of Appeal sought to correct in *Scott Paper*, and that it is a fatal flaw in the Registrar's decision.

[93] I am not persuaded.

[94] First, I note that the Registrar did state the legal principles at an earlier point in the decision, and mentioned that *Scott Paper* had clarified the test in *Harris Knitting*. On this point, however, I agree with the Applicants that the Registrar's description of that clarification was not entirely clear. The decision states:

The decision in [*Scott Paper*], offered further clarification with respect to the interpretation of the *Harris Knitting* criteria. In particular, the Court determined that the second criterion must be satisfied in order for there to be a finding of special circumstances excusing non-use of a mark. In other words, the other two criteria are relevant but, considered by themselves in isolation, cannot constitute special circumstances.

[95] While this statement of the law is not entirely inaccurate, it is certainly incomplete. In *Scott Paper*, a key point made by the Federal Court of Appeal is that some decisions applying *Harris Knitting* had put undue emphasis on an owner's intention to resume use, thereby taking the focus away from the rationale for the non-use of the mark. In the Court of Appeal's view, this

was confusing the analysis, because the intention to resume use could not explain the reason for non-use. That is why it emphasized the criteria already stated in *Harris Knitting*, that the special circumstances must be the reason why the mark was not used, which it expressed as the “circumstances to which the absence of use is due.” As discussed earlier, the Federal Court of Appeal emphasized that “[t]he point here is not the nature of the special circumstances, but simply that the special circumstances refer to the cause of the absence of use, and not to some other consideration” (at paragraph 23).

[96] The Applicants submit that the Registrar fell into the trap of failing to focus on the reasons for the prior non-use of the Marks, and instead putting undue emphasis on the Respondent’s intention to resume use.

[97] I disagree. I agree with the Respondent that this case is similar to the situation discussed in *One Group FCA*. In that case, the Hearing Officer had described the test set out in *Harris Knitting*, and then added the following:

[11] [*Scott Paper*] offered further clarification with respect to the interpretation of the second criterion, with the determination that this aspect of the test must be satisfied in order for there to be a finding of special circumstances excusing non-use of a trade-mark. In other words, the other two factors are relevant but, considered by themselves, in isolation, cannot constitute special circumstances.

[98] This language is remarkably similar to that used by the Registrar in the decision in issue here. In that case, the Hearing Officer found that there had been a relatively short period of non-use, and after the registration of the trademark in Canada the Registrant had been diligently

trying to secure a location for its restaurant and bar. However, its efforts had not produced results because the hotels with which it had entered into agreements decided not to proceed with construction. Based on this evidence, the Hearing Officer concluded that “the Registrant’s inability to secure a location and subsequent non-use of the Mark was a result of and due to circumstances beyond the Registrant’s control.” Finding evidence of the Registrant’s intention shortly to resume use of its Mark, the Hearing Officer maintained the registration.

[99] An appeal to this Court was allowed: *Gouverneur Inc v The One Group LLC*, 2015 FC 128. Although Madam Justice Bédard found that the Hearing Officer had erred in the statement of the test, the error “is not determinative since [the Hearing Officer] discussed the relevant elements” (at paragraph 40). The Court went on to find the application of the criteria to the facts of the case to be unreasonable, and therefore allowed the appeal. The Court’s key finding was that the Registrant’s evidence to explain its non-use of the trademark was insufficient to excuse it, and that the absence of use was due to business decisions rather than external circumstances beyond the Registrant’s control.

[100] The Hearing Officer’s decision was restored by the Federal Court of Appeal: *One Group FCA*. As noted earlier, the Court of Appeal found the Hearing Officer’s statement of the legal principles to be “somewhat lacking in clarity” but nevertheless found that the Officer “considered the applicable law” and “focused on the true issue, that is, whether there were special circumstances that excused the non-use of the Mark” (at paragraph 13). The Court of Appeal also emphasized that a reviewing court should defer to the Registrar’s findings of fact,

especially given that the Act does not define the type of “special circumstances” that can excuse non-use under subsection 45(3).

[101] I find that the same analysis applies here. The Registrar’s statement of the legal principles, and in particular the explanation of the clarification provided by *Scott Paper*, is not a model of clarity. However, I am satisfied that the Registrar focused on the true issue – whether there were special circumstances that excused the non-use of the Marks in issue here.

[102] I should note here that the *One Group* decisions were rendered prior to *Vavilov*, and thus the courts applied the standard of reasonableness to their review of the Hearing Officer’s decision. That is of little significance in the instant case, however, given that I find that the Registrar did not err in stating the legal principles (despite the lack of clarity) and therefore the Applicants’ arguments must be examined under the more deferential standard of palpable and overriding error.

[103] Turning back to the Registrar’s decision in the instant case, the period of non-use was found to be minimal because the Registrar decided that it should begin from the time of acquisition. I have already dismissed the Applicants’ challenge to this finding. The Registrar also found that the non-use was due to the size of the acquisition as well as the regulatory requirements that the Respondent had to meet before it could begin to use the Marks in Canada. One important finding of fact in the analysis is that the Respondent was required to submit labels that met Canadian standards as part of its application for regulatory approval, and thus its efforts to design appropriate labels were a necessary part of the approval process and therefore beyond

its control. I can find no basis to disturb this finding, which is rooted in the evidence in the record.

[104] Stepping back to examine the decision as a whole, I am satisfied that the Registrar understood the legal tests that needed to be applied and properly focused on the key question: did the special circumstances that caused the non-use excuse it, on the particular facts of the case? Although parts of the analysis could have been written more clearly, and it would have been preferable for the Registrar to make clear and specific findings on each of the four elements of the test as set out in *Scott Paper*, I am not convinced that the Registrar made an error in law or in fact in the instant case.

[105] Going back to the explanation in *Harris Knitting*, the Court of Appeal stated that the special circumstances must be circumstances to which the absence of use is due, and then continued:

This means that in order to determine whether the absence of use should be excused in a given case, it is necessary to consider the reasons for the absence of use and determine whether these reasons are such that an exception should be made to the general rule that the registration of a mark that is not in use should be expunged.

[106] In my view, that is precisely what the Registrar did in the decision under appeal.

[107] Measured from the time of acquisition, the evidence supports the findings made by the Registrar: the period of non-use was not long; the Respondent needed time to deal with the large and complex acquisition and it required the approval of several provincial regulators before it could begin to use the Marks; and in order to obtain such approval certain preparatory steps were

needed, including the design of appropriate labels that met Canadian requirements. The special circumstances explained the absence of use and were the reason for it. Given this, there is no basis for intervention.

[108] For the reasons set out above, I am not persuaded by the Applicants' arguments on this issue.

V. Conclusion

[109] For the reasons set out above, and despite the able submissions of counsel for the Applicants, this appeal will be dismissed. While the Registrar's decision is not perfect, I am satisfied that it is based on the correct legal principles, and that the application of the law to the facts is not marred by any palpable and overriding error.

[110] On the issue of costs, the Applicant requested lump sum costs of \$20,000, while the Respondent submitted that it should receive costs of \$25,000 because it had been forced to produce an additional affidavit to respond to a ground of appeal raised but not pursued by the Applicant.

[111] The law gives me wide discretion as to the award of costs: see Rule 400 of the *Federal Court Rules*, SOR/98-106. This Court has also used lump sum costs in appropriate cases, in particular where the parties are sophisticated commercial litigants: see for example, *Allergan Inc v Sandoz Canada Inc*, 2021 FC 186.

[112] In this case, I find the following factors to be the most pertinent. First, the parties are sophisticated litigants, aware of the risks of litigation of this nature and the potential for a costs award. Second, the Respondent has been entirely successful in the result. Third, the appeal did not involve a particularly complex record. However, I accept the Respondent's argument about the additional costs it incurred because it felt obliged to obtain and file an additional affidavit to respond to an issue raised by the Applicant in the Notice of Application but ultimately not pursued. Fourth, while the case raised important issues of trademark law, it did not chart new terrain in regard to the key legal principles that apply. Finally, neither party undertook any steps to needlessly delay or prolong the proceeding. Rather, both parties conducted the litigation in an efficient manner, and I thank counsel for their clear and effective submissions, both written and oral.

[113] Based on all of these factors, I am satisfied that a lump sum award is appropriate, and the Applicants shall be ordered to pay lump sum, all-inclusive costs to the Respondent in the amount of \$20,000.

[114] Finally, I want to acknowledge the length of time it has taken me to issue this decision. I apologize to the parties for the delay.

JUDGMENT in T-1050-21

THIS COURT'S JUDGMENT is that:

1. The appeal is dismissed.
2. The Applicants shall pay the Respondent lump sum, all-inclusive costs in the amount of \$20,000.

"William F. Pentney"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1050-21
STYLE OF CAUSE: COMITÉ INTERPROFESSIONNEL DU VIN DE
CHAMPAGNE AND INSTITUT NATIONAL DE
L'ORIGINE ET DE LA QUALITÉ v. COORS
BREWING COMPANY

PLACE OF HEARING: OTTAWA, ONTARIO

DATE OF HEARING: FEBRUARY 8 AND 9, 2022

JUDGMENT AND REASONS: PENTNEY J.

DATED: FEBRUARY 28, 2024

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