LE REGISTRAIRE DES MARQUES DE COMMERCE

THE REGISTRAR OF TRADE-MARKS

Citation: 2012 TMOB 256
Date of Decision: 2012-12-21

IN THE MATTER OF SECTION 45 PROCEEDINGS requested by MG Icon LLC against registration Nos. TMA368,480, TMA354,797, TMA481,499 and TMA467,630 for the trade-marks MATERIAL GIRL, M.G. MATERIAL GIRL Dessin, MATERIAL GIRL BY H.G. ESSENTIAL KNITS (& Design) and MATERIAL GIRL BY H.G. THE ORIGINATOR & Design in the name of Les Ventes Universelles S.H. Inc.

[1] At the request of MG Icon LLC (the Requesting Party), the Registrar forwarded notices under section 45 of the *Trade-marks Act* RCS 1985, c T-13 (the Act) to Les Ventes Universelles S.H. Inc. (the Registrant), the registered owner at the time of the following trade-mark registrations (the Marks):

- TMA368,480 for the trade-mark MATERIAL GIRL, on August 27, 2010;
- TMA354,797 for the trade-mark M.G. MATERIAL GIRL Dessin, shown below, on August 27, 2010:

- TMA481,499 for the trade-mark MATERIAL GIRL BY H.G. ESSENTIAL KNITS (& Design), shown below, on August 25, 2010:

- TMA467,630 for the trade-mark MATERIAL GIRL BY H.G. THE ORIGINATOR & Design, shown below, on August 25, 2010:

[2] Registration Nos. TMA368,480 and TMA354,797 are registered for use in association with the following wares: vêtements pour femmes, nommément: shorts, blousons, pantalons et complets; vêtements sportifs pour femmes, nommément: sweat suits et jumpers.

[3] Registration Nos. TMA481,499 and TMA467,630 are registered for use in association with the following wares: women's clothing comprising the following specific wares, namely, shorts, skirts, blouses, pants, jackets, vests, coordinated outfits, T-shirts, sweat pants, sweat shirts, jumpers, jogging suits, turtle necks, leggings.

[4] Section 45 of the Act requires the registered owner of the trade-mark to show whether the trade-mark has been used in Canada in association with each of the wares or services listed on the registration at any time within the three-year period immediately preceding the date of the notice and, if not, the date when it was last in use and the reason for the absence of use since that date. Thus, in this case, the relevant period in which use must be shown for registration Nos. TMA368,480 and TMA354,797 is between August 27, 2007 and August 27, 2010 and the relevant period with respect to registration Nos. TMA481,499 and TMA467,630 is between August 25, 2007 and August 25, 2010 (as the two day difference is inconsequential, these periods are hereafter referred to collectively as the Relevant Period).

[5] The relevant definition of “use” with respect to wares is set out in section 4(1) of the Act:

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

[6] In response to the section 45 notices, the Registrant furnished affidavits of Robert Hodhod, a shareholder of the Registrant, all sworn on March 25, 2011. I note that the content of the affidavits are substantially the same, as discussed below. Only the Requesting Party filed written representations in each case; an oral hearing was not held.

[7] In his affidavits, Mr. Hodhod attests that, since its incorporation in 1986, the Registrant was a company whose commercial activities were the design and manufacture of clothing for women and children that were sold in Canada and the U.S.A. However, on February 8, 2006, the Registrant filed for bankruptcy in the province of Quebec.

[8] Mr. Hodhod explains that until the end of 2005, he was the director and president of the Registrant and the person responsible for the design and manufacture of the Registrant's clothing lines. He attests that he left the company to work with his wife, Helen Grimaldi, who had earlier in 2005 left the Registrant herself to set up her own clothing design and manufacturing company, Odyssey Knits Incorporated (OKI). Mr. Hodhod attests that he remained a shareholder of the Registrant, along with his two brothers. He further attests that the shareholders agreed to assign the Marks to Mr. Hodhod, given that the Marks were "intimately associated" with Ms. Grimaldi, the designer.

[9] However, notwithstanding this alleged agreement amongst the Registrant's shareholders, the Registrant's secured creditor, HSBC Bank Canada, exercised its secured rights over all of the Registrant's assets, including the Marks, upon the bankruptcy of the Registrant in February 2006.

[10] Mr. Hodhod states that, following the Registrant's bankruptcy, he was instrumental in assisting HSBC in collecting claims for application towards the repayment of the Registrant's debt to HSBC. Furthermore, he attests that "in consideration for my services to HSBC, an agreement was made between HSBC represented by its Agent [H.H. Davis & Associates Inc.] and myself for the transfer and assignment of [the Marks]". He attests that at all relevant times, he has continued in his efforts with the trustee to have the Marks assigned, but that "this process

has been complicated by the protracted settlement of the [Registrant's] debts, and more particularly, the debt to HSBC and the fact of the MATERIAL GIRL Marks being subject to the HSBC Hypothec."

[11] As of the date of his affidavits, Mr. Hodhod attests that "HSBC has still not formally released nor waived its secured rights in and to the MATERIAL GIRL Marks." And further, that "as a result, the Trustee still cannot execute the formal assignment of the MATERIAL GIRL Marks from the [Registrant] to me in my personal name." He attests that until HSBC consents to the formal assignment of the Marks, he is unable to use them.

[12] At this point, I would note that an assignment of the Marks to Mr. Hodhod was recently entered on the register, on November 23, 2012.

[13] However, as Mr. Hodhod confirms in his affidavit that the Marks were not used during the Relevant Period, the issue in this case is whether special circumstances existed to excuse non-use of the Marks.

[14] Generally, a determination of whether there are special circumstances that excuse non-use involves consideration of three criteria, as set out in *Registrar of Trade Marks v Harris Knitting Mills Ltd* (1985), 4 CPR (3d) 488 (FCA) (*Harris*). The first criterion is the length of time during which the trade-mark has not been in use, the second is whether the reasons for non-use were beyond the control of the registered owner and the third is whether there exists a serious intention to shortly resume use. The decision in *Smart & Biggar v Scott Paper Ltd* (2008), 65 CPR (4th) 303 (FCA) (*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, they cannot constitute special circumstances. Further, the intent to resume use must be substantiated by the evidence [*Arrowhead Spring Water Ltd v Arrowhead Water Corp* (1993), 47 CPR (3d) 217 (FCTD); *NTD Apparel Inc v Ryan* (2003), 27 CPR (4th) 73 (FCTD)].

[15] In this case, Mr. Hodhod attests that the Marks were last in use immediately prior to the Registrant's bankruptcy on February 8, 2006. As of the date of his affidavits, use of the Marks has not resumed, resulting in a period of non-use of at least five years.

[16] With respect to the second *Harris* criterion, Mr. Hodhod states that "the reasons for the absence of use of the Mark[s] is due to the [Registrant's] bankruptcy and suspension of operations and the Mark being subject to the HSBC Hypothec which require the Trustee to obtain HSBC's consent to formally assign the MATERIAL GIRL Marks from the Owner to me in my personal name."

[17] From Mr. Hodhod's affidavit, it would appear that the Registrant's trustee focused its efforts on liquidating the Registrant's assets and on satisfying, to the extent possible, the debt owed to the Registrant's secured creditor, HSBC. What is not clear is whether the trustee had any other options regarding disposition of the Marks during the Relevant Period, such as continuing the Registrant's business operations. Certainly, from Mr. Hodhod's perspective, non-use of the Marks were for reasons beyond *his* control. But at the time, he was not the registered owner of the Marks.

[18] This case is unusual in that the Mr. Hodhod, as a shareholder of the Registrant, appears to have an interest in both the Registrant company and the Marks. However, he himself had no control over the use of the Marks during the Relevant Period. Instead, it was the Registrant, via its trustee-in-bankruptcy and presumably under the direction of HSBC (as secured creditor), who was responsible for continued use or disposition of the Marks.

[19] As such, while I am sympathetic to Mr. Hodhod's efforts to acquire the Marks, for purposes of these section 45 proceedings, Mr. Hodhod was himself merely a prospective assignee of the Marks during the Relevant Period. As such, *his* reasons for non-use of the Marks during that time are irrelevant.

[20] The Requesting Party notes in its written representations that Mr. Hodhod's allegations regarding the intended assignment of the Marks, both with his fellow shareholders before the Registrant's bankruptcy and with HSBC after the bankruptcy, are uncorroborated. Neither the

trustee nor HSBC have furnished affidavits attesting to the validity of Mr. Hodhod's claim that it was their intent to assign the Marks to him.

[21] In any event, one is left in the dark as to the reasons for non-use of the Marks during the Relevant Period by the trustee and/or the Registrant's secured creditor, HSBC. Taking Mr. Hodhod's affidavit at face value, however, it would appear that HSBC retained its secured rights in the Marks in order to secure Mr. Hodhod's cooperation in satisfying the Registrant's debts to HSBC.

[22] As noted above, however, there are no submissions from the trustee or HSBC whatsoever. It is not entirely clear in this case why the trustee did not make continued use of the Marks in the normal course of trade or, in the alternative, liquidate them as part of the Registrant's bankruptcy proceedings in a more timely fashion.

[23] Certainly, the Registrant's bankruptcy itself is disruptive to its business operations, but bankruptcies do not in and of themselves constitute special circumstances that excuse non-use of a trade-mark for purposes of section 45 of the Act. Although bankruptcies are sometimes out of the control of a registered owner, they have been held to excuse only short periods of non-use [see, for example, *Rogers & Scott v Naturade Products Inc* (1988), 19 CPR (3d) 504 (TMOB); *Lapointe Ronsenstein v Maxwell Taylor's Grill Inc* (2001), 19 CPR (4th) 263 (TMOB)]. In cases where a new owner has only recently acquired a trade-mark, then the bankruptcy may be relevant to explain any non-use by the new owner during the relevant period. It is not relevant, in cases like this, where the trade-mark is acquired well after the issuance of a section 45 notice and the end of the relevant period.

[24] Again, Mr. Hodhod's affidavit is from his perspective, and if he was able to speak to the trustee's options and typical timelines in respect of bankruptcy proceedings generally, he does not. Indeed, the trustee-in-bankruptcy would have been in a better position to explain the lengthy period of non-use of the Marks. Instead, one is left to the conclusion that, at best, the trustee chose to liquidate the Registrant's assets, rather than use the Marks in the normal course of trade. Based on the statements in Mr. Hodhod's affidavit, it would appear that HSBC secured his cooperation in collecting monies owed to it in return for a promise that it would allow the Marks to be assigned to Mr. Hodhod. If this is the case, absent further submissions from the

trustee and/or HSBC, the reasons for non-use appear to be the voluntary business decision of the registered owner, via its trustee-in-bankruptcy, not to use the Marks during the Relevant Period.

[25] In any event, even if I were to accept that the non-use of the Marks was beyond the Registrant's control, Mr. Hodhod's affidavit does not, in my view, establish a serious intent to resume use of the Mark.

[26] Mr. Hodhod attests that he has "a serious and real intent and plans to use [the Marks] on the Wares as soon as the assignment of [the Marks are] formalized with the Trustee, and more specifically, under license to Odyssey Knits Inc." Furthermore, he states that OKI "has the resources, both commercial and creative, to sell and distribute clothing bearing [the Marks] in Canada and elsewhere in the world. Since its inception and under my management, [OKI] has built and maintained a large customer list for women's clothing, including mass retailers like Sears."

[27] Again, I am sympathetic to the fact that, from Mr. Hodhod's perspective, his hands were somewhat tied absent formal acquisition of the Marks. The jurisprudence is clear, however, that the intent to resume use must be substantiated by evidence. As the Requesting Party notes, "mere intention to resume use is not satisfactory and must be substantiated by factual elements such as purchase orders or, at least, a specific date of resumption" [*Lander Co Canada Ltd v Alex E Macrae & Co* (1993), 46 CPR (3d) 417 (FCTD) at paragraph 15]. Understandably, Mr. Hodhod is unable to provide such specifics; nevertheless, notwithstanding Mr. Hodhod's earnestness, I must agree with the Requesting Party's assessment that one is "left in the dark as to how long the duration of non-use will persist".

[28] In view of all of the foregoing, I am not satisfied that the reasons for non-use were beyond the Registrant's control. In the alternative, I am not satisfied that there exists a serious intention to shortly resume use. Accordingly, per *Scott Paper, supra*, I must conclude that the Registrant has not demonstrated special circumstances excusing non-use of the Marks during the Relevant Period within the meaning of section 45(3) of the Act.

Disposition

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

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Andrew Bene
Hearing Officer
Trade-marks Opposition Board
Canadian Intellectual Property Office