SERIOUS INTENT TO RESUME USE OF TRADE-MARK MUST BE FOUND TO EXCUSE ABSENCE OF USE IN SUMMARY EXPUNGEMENT CASE

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A recent decision of the Trial Division of the Federal Court of Canada has reviewed to what limits can be stretched the "special circumstances that excuse the absence of use" of a trade-mark in summary expungement proceedings (*Edwin Company Ltd.* v. *176718 Canada Inc.*, No. T-803-94, March 30, 1995).

This Court case results from an appeal of a decision of the Registrar of Trade-Marks dated February 4, 1994 whereby the expungement of two registrations covering the FIORUCCI trade-mark for clothing ("the registrations") was ordered for absence of use of the trade-mark and lack of special circumstances excusing its non-use. The registrations were originally held by an Italian company, Fiorucci S.p.A. ("Fiorucci").

On October 31, 1990, at the request of 176718 Canada Inc., the Registrar had issued a notice under Section 45 of Canada's *Trade-mark Act* (R.S.C., 1985 c. T-13) requiring Fiorucci to show use in Canada of the trade-mark covered by the registrations.

Section 45 provides a summary procedure whereby the Registrar may, at the written request of any third party, require a registered owner to furnish evidence by way of affidavit, showing use of the trade-mark covered by the registration in association with the wares mentioned therein at any time during a two-year period immediately preceeding the date of the Registrar's notice, and in the case where there has not been use during that period, the details of the special circumstances that would excuse the absence of use.

In response to the notice, Franco Trentani, the sole receiver of Fiorucci, filed an affidavit dated October 15, 1991. The registrations were assigned to Edwin Company Ltd. ("Edwin"), a Japanese company, on May 25, 1992 and the assignment was recorded with the Trade-Marks Office on December 31, 1992.

The Registrar reviewed the Trentani affidavit and concluded that no evidence of use had been established during the relevant period (October 31, 1988 to October 31, 1990) as the last evidence of use in 1988 was three invoices dated August 9, 1988 (three months prior to the relevant date) showing sales to a Quebec City store. The Registrar thus ordered that the registrations be expunged.

Upon appeal from the Registrar's decision, Edwin, the new owner of the registrations, filed additional evidence as permitted by the Federal Court Rules, namely an affidavit by the president of Edwin, Shuji Tsunemi and a second affidavit by the sole receiver of Fiorucci, Franco Trentani. By this evidence, Edwin tried to convince the Court that it established use of the mark FIORUCCI during the relevant period or, alternatively, that special circumstances could excuse the absence of use.

Mr. Justice Richard of the Trial Division of the Federal Court rejected the alleged evidence of use as unreliable and concentrated his attention on the circumstances put forth to excuse the absence of use of the trade-mark covered by the registrations during the relevant period: in the spring of 1989, Fiorucci was forced into receivership by its creditors; Mr. Trentani was thereafter named as sole receiver by the Italian courts and in April 1990, a settlement procedure was approved at a creditors' meeting; on June 4, 1990, a preliminary contract was signed whereby Edwin would take over Fiorucci's assets. In October 1990, the Italian Courts ratified this contract but it was only in May 1992 that the assets of Fiorucci were assigned to Edwin.

During this period, Fiorucci was unable to manufacture or sell products under the FIORUCCI trade-mark. After May 1992, the new owner, Edwin, was unable to commence use of the trade-mark FIORUCCI in Canada since suitable arrangements had to be negotiated with a distributor in this country. An understanding was finally reached by Edwin with an exclusive distributor in May 1994. In the Tsunemi affidavit, it was indicated that Edwin had a definite intention of using the mark in Canada. However, no actual use by Edwin in Canada since May 1992 had been established.

Caselaw on special circumstances excusing the absence of use has identified three important criteria to determine whether special circumstances do exist.

Firstly, the length of time during which a trade-mark has not been in use; secondly, it must be determined whether the registered owner's reasons for not using the trade-mark are due to circumstances beyond its control; thirdly, one must find whether there exists a serious intention to shortly resume use (*Lander Co. Canada Ltd.* v. *Alex E. Macrae & Co.* (1993), 46 C.P.R. (3d) 417 (F.C.T.D., Rouleau J.) at page 419; *Registrar of Trade-Marks* v. *Harris Knitting*

Mills Ltd. (1985), 4 C.P.R. (3d) 488 (F.C.A., Pratte J.) at pages 492 and 493; *John Labatt Ltd.* v. *The Cotton Club Bottling Co.* (1976), 25 C.P.R. (2d) 515 (F.C.T.D., Cattanach J.) at page 123; *Professional Gardener Co. Ltd.* v. *Registrar of Trade-Marks* (1985), 5 C.P.R. (3d) 568 (F.C.T.D., Strayer J.) at page 573).

In applying the three-part test to the case at bar, Mr. Justice Richard took note that the period of non-use ran from the last use in August 1988 to the planned distribution in May 1994, amounting to almost six years. This relatively long period of non-use directly affected the weight of the evidence establishing the reasons for non-use.

In Mr. Justice Richard's opinion, Edwin did not establish a serious intention to shortly resume use: attention was pointed to the fact that no details regarding the negotiations to find a distributor in Canada were put forward; no documentary evidence regarding negotiations of the planned distribution in Canada were established; most importantly, Edwin did not seek leave to file additional evidence of actual use after May 1994.

Mr. Justice Richard's comments in this case are a timely reminder that it is not sufficient for a party which has not used its trade-mark for a rather lenghty period of time to simply establish circumstances beyond its control: sufficient factual information regarding a serious intention to shortly resume use must also be presented.

As a final note of interest, the two-year period presently mentioned in Section 45 will be extended to three years as of January 1, 1996 when Section 200 of the *World Trade Organization Agreement Implementation Act,* S.C. 1994, c. 47, should finally come into force.

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