"USE" IN ASSOCIATION WITH SERVICES: THEY MUST BE PERFORMED IN CANADA, FEDERAL COURT RULES

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The Trial Division of the Federal Court of Canada recently upheld the Registrar's decisions (i) in dismissing the Applicant's application to register the trade-mark EXPRESS FILE, after finding that its trade-mark was not used in association with electronic tax filing services and (ii) in dismissing its opposition to respondent's application for the trade-mark EXPRESS H & R BLOCK in association with electronic filing of tax returns in Canada, further to appeals launched by the Applicant pursuant to subsection 56(1) of Canada's *Trade-marks Act*, (R.S.C. 1985, c. T-13) (*Express File Inc. Inc.* v. *HRB Royalty*, T-241-02 and T-1059-02, April 21, 2005, Beaudry, J.).

The facts

On November 21, 1995, HRB Royalty Inc. ("HRB") filed an application to register the trade-mark EXPRESS FILE H & R BLOCK (TMO 797,808) for the electronic filing of tax returns in Canada.

On August 20, 1996, Express File Inc. ("Express File") filed an application to register the trade-mark EXPRESS FILE (TMO 821,155) in association with electronic tax filing services. Express File owns the trade-mark EXPRESS FILE in the Unites States for electronic tax filings in the U.S., registered on March 3, 1992 (no. 1,677,866).

On December 17, 1996, Express File filed a Statement of Opposition to HRB's application for the trade-mark EXPRESS FILE H & R BLOCK. This proceeding was rejected by the Trade-Marks Opposition Board on December 7, 2001 and appealed by Express File on February 14, 2002.

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On April 29, 1997, HRB filed a Statement of Opposition to Express File's application. The hearing was held on December 7, 2001 and on May 9, 2002, the Trade-Marks Opposition Board refused its application. Express File appealed this decision on July 9, 2002.

Standard of review

Express File filed additional evidence on appeal. However, the Court concluded that this additional evidence was a mere repetition of the evidence presented before the Registrar which could not have materially affected the decision makers. As such, the Court applied the *reasonableness* standard of review.

Issue to be determined

The Court addressed the following question: was the applicant's trade-mark EXPRESS FILE "used" within the meaning of the *Act* in association with services on electronic tax filing on or before the relevant date, namely January 31, 1992 ?

"Use" in association with services

In determining if Express File had used its trade-mark in Canada, the Court summarized the evidence adduced as follows. The EXPRESS FILE electronic tax filing services had been available in the United States since 1990. Between 1990 and 1995, the EXPRESS FILE service was made available to customers through U.S. bank or credit unions but no Canadian institution was involved. Moreover, the EXPRESS FILE service was not offered for the filing of Canadian tax returns.

One of the interesting points in the evidence was that Express File provided the banks and credit unions with counter display and promotional material but the latter were responsible for their own marketing. The President of Express File stated in his affidavit that it was possible that banks and credit unions close to the Canadian border could have Canadian clients and testified that promotional materials were sent to Canadians living in Canada because bank and credit unions mailed the information to all of their depositors, including Canadians. However, he was unable to provide a percentage of promotional advertising costs attributed to promoting the EXPRESS FILE service in Canada as it was the banks and the credit unions responsible for the promotion.

Express File also alleged that U.S. banks encouraged customers to use the EXPRESS FILE service by mailing out, on several occasions, information to their

customers, including those located in Canada. Furthermore, Canadian clients who frequented U.S banks or U.S credit unions were exposed to the EXPRESS FILE promotional materials and were entitled to use this service for making tax filings with the IRS. Customers were invited to either bring their completed tax filing kit back to the bank or to mail the kits directly to the banks' office. However, there was never a processing centre in Canada nor was there an office in Canada.

Lastly, the evidence demonstrated that in order for Canadians to use the EXPRESS FILE electronic filing service, they needed a U.S. return mailing address since the software system could not recognize alphanumeric digits and absolutely required a U.S. postal code.

The decision

In light of the foregoing elements, the Court opined that there was no evidence demonstrating that the EXPRESS FILE service was advertised in Canada nor was there any concrete evidence that it was used and known by Canadians at the relevant date. The Court stated that the affidavits produced by Express File revealed a lack of evidence of actual use and advertising. The Court disagreed with Express File's contention that because some of the U.S. institutions that have a licence to use the EXPRESS FILE service also have Canadians customers, as a result, Canadians were aware of the existence of said service.

The Court further maintained that there was no evidence that the EXPRESS FILE services were advertised in Canada in newspapers, magazines or that direct mail advertising of said services was sent to Canadians. Moreover, no promotional materials were directly provided for promotion in Canada nor were Canadian residents directly targeted. Therefore, at best, the evidence illustrated that the only Canadians that might have been aware of the EXPRESS FILE service were the ones who happened to deal with U.S. financial institutions.

More importantly, the Court held that even if EXPRESS FILE service had been advertised in Canada, it was not offered in Canada since in order to this service, a Canadian was required to not only to fill out the kit but to also drop same at his or her U.S. bank or mail it back to it.

Based on its finding of no "use" of the trade-mark in Canada, the Court dismissed both appeals.

Conclusion

It is trite law that with regards to services, "use" cannot be established by mere advertising of a mark coupled with performance of the services elsewhere; the services must be performed in Canada. The Court's decision is a stark reminder of this principle in that the criteria regarding "use" of a trade-mark in association with services are not mutually exclusive. As a result, practitioners should advise clients seeking trade-mark protection in association with services as to the importance of ensuring their services are offered in Canada.

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