TO REINSTATE OR NOT TO REINSTATE: THAT WAS A QUESTION…

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The Federal Court of Appeal recently confirmed that it has jurisdiction to order to reinstatement of trade-marks that have been ordered to be expunged by the Federal Court of Canada, and which have in fact been expunged by the Registrar of Trade-marks pursuant to such order. [*Cheaptickets and Travel Inc.* v. *Emall.ca Inc et al*., 2008 FCA 50, Décary, Sharlow and Trudel JJ.A., February 7, 2008]

The Facts

Emall.ca Inc. and Emall Inc. ("Emall") applied to the Federal Court of Canada for the expungement of two registered trade-marks, CHEAP TICKETS and CHEAP TICKETS AND TRAVEL & DESIGN (the "CHEAP TICKETS trade-marks"), owned by Cheaptickets and Travel Inc. ("Cheaptickets").

The basis for the application for expungement was that the CHEAP TICKETS trade-marks were clearly descriptive of the quality and character of the ware and services with which they were used, contrary to sections 12(1)(b) and 18(1)(a) of the *Trade-marks Act* (R.S.C. 1985, c. T-13).

Justice Strayer of the Federal Court granted Emall's application and Cheaptickets appealed the decision to the Federal Court of Appeal.

Between the time the Federal Court judgement was rendered and the appeal was lodged, and since there had been no request or order to stay the judgement of the Federal Court, the Registrar of Trade-marks gave effect to the order of Justice Strayer and struck the CHEAP TICKETS trade-marks from the register some 13 days before the expiry of the delay to appeal.

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The Federal Court of Appeal Judgement

The Federal Court of Appeal first considered the preliminary issue of its jurisdiction over the CHEAP TICKETS trade-marks since they had been expunged from the Canadian register.

Under section 57 of the *Trade-marks Act*, the Federal Court has original and exclusive jurisdiction to order the striking out of a trade-mark. A judgement ordering the expungement of a registered mark is a final judgement. According to Cheaptickets, nothing in the *Federal Courts Act* (R.S.C. 1985, c. F-7), or the *Trade-marks Act*, gives the Federal Court of Appeal the authority to order the reinstatement of an expunged trade-mark. The Court of Appeal disagreed with Cheaptickets' position on the basis that section 52 of the *Federal Courts Act* gives the Court of Appeal jurisdiction to either dismiss an appeal or allow same, and in the latter case, if the appeal is allowed, the Court of Appeal may render the decision that the Federal Court should have rendered in first instance. The Court of Appeal concluded that, as a result of the powers conferred upon the Court by operation of the law, the Registrar of Trade-marks will be required to reinstate any trade-mark it has struck upon receiving notice of a judgement of the Federal Court of Appeal ordering such reinstatement.

The second preliminary issue concerned the scope of the presumption of validity of a registered trade-mark. Pursuant to section 19 of the *Trade-marks Act*, a trade-mark is valid unless it is shown to be invalid. A party applying for the expungement of a trade-mark will succeed only if it can convince the Court that the evidence establishes that the trade-mark was not registerable at the relevant time. The presumption of validity is therefore a rebuttable one and is limited in scope and weight.

On the merits of the case, the Federal Court of Appeal reviewed subsections 12(1)(b) and 18(1)(a) of the *Trade-marks Act* which state that a trade-mark must be registerable at the date of registration and it must not be clearly descriptive or deceptively misdescriptive of the character or quality of the wares or services in association with which it is used. Justice Strayer had ruled that the CHEAP TICKETS trade-marks were clearly descriptive of the character or quality of the services and wares in association with which they were used by Cheaptickets. The Court of Appeal found no palpable, or overriding, or readily extricable error of law or fact in the Federal Court ruling and therefore refused to overturn Justice Strayer's decision on this point.

On appeal, Cheaptickets also argued that Justice Strayer failed to consider that the CHEAP TICKETS trade-marks had acquired distinctiveness at the date of filing of the applications for registration, pursuant to subsection 12(2) of the *Trade-marks Act*. Emall argued that this subsection had no application in judicial expungement proceedings: Cheaptickets could only rely on subsection 18(2) of the *Trade-marks*

Act which enables a trade-mark holder to raise a specific defence of acquired distinctiveness at the time of registration, even if the Registrar of Trade-marks was not given evidence of distinctiveness at the time of application of the mark in issue. Emall claimed that if Cheaptickets was unable to establish that its trade-marks were distinctive at the date of registration, it was barred from establishing the distinctiveness of its trade-marks at the commencement of the registration process.

The Federal Court of Appeal disagreed with Emall's interpretation on the basis that it had not presented any authorities to support such a narrow interpretation of subsections 12(2) and 18(2) of the *Trade-marks Act*. The Court of Appeal also noted that there was no evidence on the record to support Cheaptickets' argument that the CHEAP TICKETS trade-marks had acquired any distinctiveness. Since Justice Strayer had already concluded that the CHEAP TICKETS trade-marks were clearly descriptive, the Court of Appeal refused to interfere with his judgement, or absence thereof, on the issue of acquired distinctiveness.

Lastly, the Federal Court of Appeal stated that the CHEAP TICKETS AND TRAVEL & DESIGN trade-mark did not have to be treated separate and apart from the CHEAP TICKETS word mark: the words "Cheap Tickets" were an integral part of the design mark in issue and were not disclaimed. Since a trade-mark must be considered as a whole, the Federal Court of Appeal refused to interfere with Justice Strayer's finding that the CHEAP TICKETS AND TRAVEL & DESIGN trade-mark was also clearly descriptive of the wares and services associated with it and should be expunged.

For all these reasons, the Federal Court of Appeal dismissed the appeal with costs.

Conclusion

This case constitutes a reminder to trade-marks owners that weak trade-marks remain vulnerable despite their registration. A trade-mark owner cannot rely solely on its registration to protect its rights: it must also ensure that its trade-marks were, are and will remain distinctive. Trade-mark owners should be conscious of the burden that may fall upon them in the event of judicial expungement proceedings: evidence of use, both prior to the registration and after the registration should therefore be diligently kept in order to ensure the trade-mark can be defended in the event of an attack on the reigistration.

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