



## INTENTION TO RESUME USE OF A MARK IS NOT A “SPECIAL CIRCUMSTANCE” JUSTIFYING NON USE, FEDERAL COURT OF APPEAL RULES

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In an important judgment regarding what constitutes “special circumstances” amounting to excusable non-use in expungement proceedings under section 45 of the *Trade-marks Act*, R.S.C. 1985, c. T-13 (hereafter: the “Act”), the Federal Court of Appeal upheld the Federal Court’s decision, overturning the Registrar’s ruling to maintain registration of the trade-mark VANITY, after concluding that the relevant inquiry as to whether special circumstances exist is an inquiry into the reasons for the non-use (*Scott Paper Limited v. Smart & Biggar and the Attorney General of Canada*, 2007 FCA 129 (Pelletier, J.A., April 4, 2008)).

Section 45 of the Trade-marks Act’s is the “use it or lose it” provision allowing the Registrar, via administrative proceedings to expunge trade-mark registrations for marks not in use. Following a request made by any third party, the Registrar will issue a notice requiring that a Registrant show use of its registered trade-mark or justify its non-use due to special circumstances, failing which such mark will be expunged.

### ***The Registrar’s decision***

On April 29, 2002, the Registrar of Trade-marks forwarded a Notice to the Scott Paper Limited (“Appellant”) requiring that it furnish an affidavit or a statutory declaration showing whether the trade-mark VANITY 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*.

The Appellant submitted the affidavit of its Marketing and Legal Affairs Manager who deposed that as of the date of the Notice, the Appellant’s plans were already underway to commence use of the mark in 2002. In late summer 2001 the Appellant

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began to discuss and review plans for the brand's reintroduction and at a meeting held in October 2001, it was decided that the re-launch of the VANITY brand would take place in 2002. The affiant also deposed that in June 2002 (outside the relevant period of April 29, 1999 to April 29, 2002), sales of VANITY branded products had begun in Canada. It is important to underline that the affiant did not provide the date of last use of the trade-mark in Canada nor any reasons for the absence of such use.

In reviewing the evidence, the Senior Hearing Officer considered that the date of last use was the date of the acquisition of the mark by the registered owner, namely March 20, 1989, some 13 years prior to the date of the issuance of the Notice and that the non-use was due to a deliberate decision to suspend use (absent any evidence on these points). These determinations were not challenged. The Hearing Officer went on to consider whether there was evidence of a serious intention to shortly resume use of the trade-mark prior to the issuance of the Notice as this would amount to special circumstances within the meaning of s.45 of the Trade-marks Act<sup>1</sup>.

In maintaining the VANITY mark on the register, the Senior Hearing Officer found that since the Appellant took steps to use the mark before receiving the Notice and made sales shortly thereafter, such facts were of paramount importance in showing that the mark should not be expunged.

### ***The Federal Court ruling***

The Trial Judge applied the standard of review of *reasonableness* bearing in mind the Registrar's expertise in such matters. Nevertheless, the Court held that the Senior Hearing Officer's conclusion was not reasonable as she erred in applying the law to the facts. In the Court's view, a 13 year period of deliberate non-use could not be excused by a Registrant's intention to use the mark in the near future<sup>2</sup>.

### ***The Federal Court of Appeal ruling***

The Federal Court of Appeal re-examined the test for special circumstances justifying non-use of a mark articulated in the *Harris Knitting* decision relied upon by the Senior Hearing Officer and concluded that a different test emerges. The Court of Appeal

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<sup>1</sup> Based on its interpretation of the three-prong test set out by the Court of Appeal in *Registrar of Trademarks v. Harris Knitting Mills Ltd* (1985), 60 N.R. 380 , 4 C.P.R. (3d) 488 (F.C.A) [*Harris Knitting*] : (1) the length of time during which the mark has not been in use; (2) whether the reasons for non-use are beyond the control of the registered owner; and (3) whether there exists a serious intention to shortly resume use.

<sup>2</sup> In quoting from the reasons of the Court in the *Harris Knitting* decision : "It is difficult to see why an absence of use due solely to a deliberate decision by the owner of the mark would be excused".

stated that the conclusions to be drawn from the test set out in *Harris Knitting* are the following<sup>3</sup>:

- 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.

The Court found that the fourth factor was sufficient to dispose of the appeal by stating that it is important to distinguish between explaining an absence of use and excusing an absence of use. The Court highlighted that “special circumstances” refer to the cause of the absence of use and not to some other consideration and therefore, the relevant inquiry as to whether they exist is an inquiry into the reasons for the non-use.

The Court acknowledged that jurisprudence appears to have evolved in the direction of treating plans for resumption of use as special circumstances. However, in dismissing the appeal, the Court stated it was clear that the 13 year absence of use was due to a deliberate decision not to use the mark and that because plans for future use do not explain the period of non-use they cannot amount to special circumstances. The Court clearly held that the Senior Hearing Officer made an error by ignoring the Appellant’s explanation and treating one aspect of the circumstances of non use, that is, Appellant’s intention to resume use, as “special circumstances”.

## **Conclusion**

This decision is significant in that it has clarified the meaning of the words “special circumstances” under s. 45 of the *Trade-marks Act* which is seemingly a departure from the wave of case law that had evolved, until this case, in the direction of treating plans for resumption of use of a mark as a “special circumstance”. As a result, it is a Registrant’s reasons to justify non-use which amount to special circumstances; intention to resume use cannot explain the absence of use of the trade-mark in the marketplace.

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<sup>3</sup> The Court examined the decision in *Harris Knitting* and referred to the following paragraphs: “It is impossible to state precisely what the circumstances referred to in subsection 44(3) must be to excuse the absence of use of a mark. 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. It is essential, as well, to know to what extent the absence of use is due solely to a deliberate decision on the part of the owner of the mark rather than to obstacles beyond his control. It is difficult to see why an absence of use due solely to a deliberate decision by the owner of the mark would be excused.

Anecdotally, the Court's reasoning is best reflected in the following rhetorical question asked by the Federal Court judge hearing the appeal of the Registrar's decision: "Would one excuse a truant schoolboy for an absence of a month because, when confronted, he demonstrated that although he had no explanation for his past absences he genuinely intended to go to school the next week?"

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