



## REGISTRATION OBTAINED IN BAD FAITH EXPUNGED IN CANADA

STELLA SYRIANOS<sup>\*</sup>  
**ROBIC, LLP**  
LAWYERS, PATENT & TRADEMARK AGENTS

In a recent decision rendered on December 12th, 2012, the Federal Court of Canada ordered a registration be struck from the Trade-marks register, based on all the grounds of invalidity raised by the applicant, including the seldom successful ground relating to registrations obtained on the basis of material false or fraudulent statements made by an applicant (*HomeAway.com, Inc. v. Martin Hrdlicka*, 2012 FC 1467, Hughes, J., December 12, 2012).

### Expunging a trade-mark in Canada

Section 57 of the Canadian *Trade-marks Act* gives the Court the power to strike or amend an entry from the Register of Trade-marks in cases where the registration does not “accurately express or define the existing rights of the person appearing to be the registered owner of the mark.”

Section 18 of the Canadian *Trade-marks Act* sets out the various grounds on which the validity of a registration may be challenged. HomeAway raised the following two reasons:

- (i) The respondent was not the person entitled to register the trade-mark VRBO when he filed the VRBO application (September 2, 2009) because HomeAway.com, Inc. whether by itself and/or its predecessors-in-title, substantially and continuously used a confusing and identical trade-mark VRBO for identical services, namely, vacation real estate listing services, in Canada, prior to September 2, 2009;
- (ii) At the date of HomeAway.com’s application to the Federal Court of Canada [not specified in the decision] the VRBO trade-mark was not distinctive of Martin Hrdlicka and was not capable of being, or becoming, distinctive of the respondent because at that date, and at all relevant times, the VRBO trade-mark has been and is distinctive of HomeAway.com, Inc. and its predecessors-in-title;

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<sup>\*</sup>Lawyer, Stella Syrianos is a member of ROBIC, LLP, a multidisciplinary firm of lawyers, patent and trademark agents. Published under the title *Trade-Mark Registration Obtained in Bad faith Expunged in Canada* (March 2013), 27:3 World Intellectual Property Report 37-39. Publication 142.274.

**ROBIC, LLP**  
www.robic.ca  
info@robic.com

**MONTREAL**  
1001 Square-Victoria - Bloc E - 8<sup>th</sup> Floor  
Montreal, Quebec, Canada H2Z 2B7  
Tel.: +1 514 987-6242 Fax: +1 514 845-7874

**QUEBEC**  
2828 Laurier Boulevard, Tower 1, Suite 925  
Quebec, Quebec, Canada G1V 0B9  
Tel.: +1 418 653-1888 Fax.: +1 418 653-0006

Although not explicitly outlined by Section 18 of the Canadian *Trade-marks Act*, case law has illustrated that material false statements that are fundamental to a registration may form the basis of an invalidity action. HomeAway.com, Inc. also raised the following third reason:

- (iii) The VRBO registration was obtained on the basis of material false or fraudulent statements because Martin Hrdlicka did not intend to use the VRBO trade-mark when he filed the VRBO application on September 2, 2009 and did not use the VRBO trade-mark before he registered it, but nevertheless filed a declaration of use of the trade-mark VRBO in order for the VRBO application to register.

### The facts

On September 2, 2009, Martin Hrdlicka (“Hrdlicka”), an individual residing in Toronto, Ontario, applied to register the trade-mark VROB in association with “vacation real estate listing services”, on the basis of proposed use in Canada. Apparently, on June 28, 2010 (the same day the mark was registered under Reg.no. 770822) Hrdlicka filed a declaration of use, although the certified copy of Trade-marks Office’s file for the VROB registration showed only a blank declaration of use form.

The parties speculated before the Court that a Declaration of use may have been filed electronically. The Court did not specifically address this issue other than to mention that this situation exposed a problem with the Trade-Marks Office records which should contain a full and accurate record as to everything that has been filed, be it electronically or otherwise.

The applicant HomeAway.com Inc. (“HomeAway”), is a Delaware corporation which as of December 31, 2010, merged with another Delaware corporation, VRBO.com, Inc. The evidence demonstrated that as a result of the merger, the whole of the business and assets, including all trade-mark rights of VRBO.com, Inc. were owned by HomeAway.

Since 1996, HomeAway has been engaged in the business of advertising on its website, residential dwellings owned by third persons wishing to rent them out to others, such as vacationers. For a fee, owners of varying types of residential lodging suitable for short-term vacation use, contract with HomeAway to display the features of such dwellings on the website located at [www.vrbo.com](http://www.vrbo.com), owned and hosted by HomeAway. Those interested in renting vacation premises may visit HomeAway’s website and by following the links provided, locate the country and the area of interest to them.

For instance, “Canada” may be entered, followed by “Niagara-on-the-Lake” or “Montreal”, wherein available rental premises are displayed. A vacationer may contact the owner and make arrangements to occupy the premises for an agreed period of time.

### **Use of VROB trade-mark by HomeAway**

In an article appearing in the Toronto Star in 2012, an exhibit file by HomeAway, it described HomeAway’s website as one of the ten best travel websites for 2012 and informs the reader that VRBO stands for “vacation rental by owner”. The evidence showed that on HomeAway’s website, the trade-mark VRBO appears prominently on the screen when its website is accessed by users in Canada and elsewhere.

The Court stated that HomeAway’s services are akin to the Classifieds section of a newspaper, with the only difference being the medium used. The fact that HomeAway had a computer presence in Canada but no physical presence did not affect the Court’s finding that HomeAway had proven use of its mark VRBO in Canada, in association with its vacation real estate listing services. The Court stated that the appearance of the VRBO mark on the computer screen website in Canada constituted use in Canada, regardless of where the information may have originated from or was stored, presumably in the United States. The Court opined that computer accessible information may be “both here and there».

Having proven use of its VRBO mark in Canada at all material times, the Court also concluded that HomeAway’s mark was distinctive of HomeAway and that the VRBO trade-mark was not distinctive of Hrdlicka nor was it capable of being, or becoming, distinctive of Hrdlicka.

The Court therefore ordered the expungement of Hrdlicka’s VRBO registration because of HomeAway’s prior use and because the VRBO mark was not distinctive of Hrdlicka but distinctive of HomeAway’s services and of no other person in Canada.

### ***Bona fide* intention to use the VROB mark in Canada**

Aside from the declaration of use presumably filed by Hrdlicka with the Trade-Marks Office, he filed no evidence that he had ever used the trade-mark VRBO in Canada in association with vacation real estate listing services or any other services, prior to November 2012. While some exhibits were filed by the self-represented Hrdlicka (some screen-shots of a website service advertising vacation rentals in Canada), the Court noted they were dated November 2012 and therefore had no impact on the issues before the Court. Noteworthy, Justice Hughes suspected that the exhibits were prepared for the purpose of the hearing before the Court.

Of significance, e-mail communications which were sent by Hrdlicka to HomeAway and formed part of the Court record, spoke of future or intended use of the trade-mark VRBO by Hrdlicka, not actual use. In an email dated July 5, 2010 (post registration), Hrdlicka stated

“If I post my VRBO website (emphasis added)” and in another communication dated July 7, 2010, he specified “I was *planning* to post my own vacation rental website named “VRBO” (emphasis added). In addition, the correspondence between the parties demonstrated that Hrdlicka was endeavouring to sell his registration to HomeAway for a large sum of money and/or for employment or royalties.

In Hrdlicka's affidavit dated September 7, 2012, he also stated the following: “*At the time of applying for the VRBO trademark I was aware of the website www.vrbo.com, but I was under the impression that in order for HomeAway.com, Inc...to use the VRBO name in Canada, there must be some kind of physical origin to that use...*”.

The Court concluded that Hrdlicka never used the VRBO as a trade-mark in Canada until November 2012 and that at the time he applied to register it in Canada, he was aware of at least some manner of use of the VRBO mark by HomeAway. More importantly, the Court held that in filing the application for registration, Hrdlicka had no bona fide intention of using the VRBO mark in a legitimate commercial way in Canada insofar as his intent was to extort money or other consideration from HomeAway. The Court stated that such activity should not be condoned or encouraged. In finding that Hrdlicka had filed the application to register the mark and secured its registration for improper purposes, the Court stated Hrdlicka did not act in good faith. For these reasons, the VRBO registration was also found to be invalid and void.

## Conclusion

This decision may assist trade-mark practitioners in navigating the challenges which often arise when assessing “use” of a trade-mark in association with services, by means of its display on a computer screen given that technological innovations are such that information stored in a country outside of Canada may exist in Canada. As illustrated by this case, legislation interpreted in a manner consistent with such modern day realities may allow owners to prove use of their marks with services advertised and offered via websites.

Moreover and perhaps more importantly, this decision may also serve as a precedent setting cautionary tale to trade-mark applicants: a registration could be expunged for reasons related to material false or fraudulent statements made by an applicant. As such, a trade-mark registration may only be providing an applicant whose good faith is questionable, with a false sense of security.

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**ROBIC, LLP**  
www.robic.ca  
info@robic.com

**MONTREAL**  
1001 Square-Victoria - Bloc E - 8<sup>th</sup> Floor  
Montreal, Quebec, Canada H2Z 2B7  
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