

Date: 20080404

Docket: A-64-07

Citation: 2008 FCA 129

**CORAM: DESJARDINS J.A.
SEXTON J.A.
PELLETIER J.A.**

BETWEEN:

SCOTT PAPER LIMITED

Appellant

and

SMART & BIGGAR

Respondent

and

THE ATTORNEY GENERAL OF CANADA

Respondent

Heard at Toronto, Ontario, on January 9, 2008.

Judgment delivered at Ottawa, Ontario, on April 4, 2008.

REASONS FOR JUDGMENT BY:

PELLETIER J.A.

CONCURRED IN BY:

**DESJARDINS J.A.
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REASONS FOR JUDGMENT

PELLETIER J.A.

INTRODUCTION

[1] Does evidence of an intention to resume use of a trade-mark which has been absent from the marketplace for some 13 years, coupled with evidence of a single sale transaction amount to "special circumstances" that justify the absence of use of the trade-mark for the purposes of section 45 of the *Trade-marks Act*, R.S.C. 1985, c. T-13 (the Act)? The Senior Hearing Officer before

whom this matter was raised found that it did. On appeal, pursuant to subsection 56(5) of the Act, Strayer D.J. asked the rhetorical question "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?" before going on to allow the appeal. In my view, his question was apt. I would dismiss the appeal.

THE FACTS

[2] Given its prominence in the discussion which follows, it will be useful to set out immediately the relevant provisions of section 45 of the Act:

45.(1) The Registrar may at any time and, at the written request made after three years from the date of the registration of a trade-mark by any person who pays the prescribed fee shall, unless the Registrar sees good reason to the contrary, give notice to the registered owner of the trade-mark requiring the registered owner to furnish within three months an affidavit or a statutory declaration showing, with respect to each of the wares or services specified in the registration, whether the trade-mark 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.

Form of evidence

(2) The Registrar shall not receive any evidence other than the affidavit or statutory declaration, but may hear

45.(1) Le registraire peut, et doit sur demande écrite présentée après trois années à compter de la date de l'enregistrement d'une marque de commerce, par une personne qui verse les droits prescrits, à moins qu'il ne voie une raison valable à l'effet contraire, donner au propriétaire inscrit un avis lui enjoignant de fournir, dans les trois mois, un affidavit ou une déclaration solennelle indiquant, à l'égard de chacune des marchandises ou de chacun des services que spécifie l'enregistrement, si la marque de commerce a été employée au Canada à un moment quelconque au cours des trois ans précédant la date de l'avis et, dans la négative, la date où elle a été ainsi employée en dernier lieu et la raison de son défaut d'emploi depuis cette date.

Forme de la preuve

(2) Le registraire ne peut recevoir aucune preuve autre que cet affidavit ou cette déclaration solennelle, mais il peut

representations made by or on behalf of the registered owner of the trade-mark or by or on behalf of the person at whose request the notice was given.

Effect of non-use

(3) Where, by reason of the evidence furnished to the Registrar or the failure to furnish any evidence, it appears to the Registrar that a trade-mark, either with respect to all of the wares or services specified in the registration or with respect to any of those wares or services, was not used in Canada at any time during the three year period immediately preceding the date of the notice and that the absence of use has not been due to special circumstances that excuse the absence of use, the registration of the trade-mark is liable to be expunged or amended accordingly.

entendre des représentations faites par le propriétaire inscrit de la marque de commerce ou pour celui-ci ou par la personne à la demande de qui l'avis a été donné ou pour celle-ci.

Effet du non-usage

(3) Lorsqu'il apparaît au registraire, en raison de la preuve qui lui est fournie ou du défaut de fournir une telle preuve, que la marque de commerce, soit à l'égard de la totalité des marchandises ou services spécifiés dans l'enregistrement, soit à l'égard de l'une de ces marchandises ou de l'un de ces services, n'a été employée au Canada à aucun moment au cours des trois ans précédant la date de l'avis et que le défaut d'emploi n'a pas été attribuable à des circonstances spéciales qui le justifient, l'enregistrement de cette marque de commerce est susceptible de radiation ou de modification en conséquence.

[3] In accordance with the procedure set out in subsection 45(1), on April 29, 2002, the Registrar, at the request of Smart & Biggar, gave notice to Scott Paper Limited (Scott Paper) to show whether the registered trade-mark VANITY had been used in Canada in the three years preceding the giving of the notice, and if not, to show the date of last use and the reasons for the absence of use.

[4] Scott Paper responded by filing the affidavit of one Mr. Teijeira, its Marketing and Legal Affairs Manager, who deposed as to Scott Paper's plans and activities with respect to the trade-mark in question. That affidavit did not provide the date of last use of the trade-mark in Canada nor did it

provide any reason for the absence of such use. Instead, the affidavit set out that as of the date of the section 45 notice, plans were already well underway to commence use of the mark in 2002 and that, as of the date of the affidavit, October 28, 2002, such sales had already begun.

[5] According to Mr. Teijeira, Scott Paper's Away from Home Division began to discuss and review the re-introduction of the VANITY brand as early as late summer 2001. These plans were referred to in Scott Paper's 2002 Marketing Plan, which was circulated and discussed at a Scott Paper marketing meeting held in October 2001. The decision taken at that meeting was to launch products bearing the VANITY mark beginning in the second quarter of 2002, with all products being on the market by the fourth quarter of 2002.

[6] Sales of the VANITY products began in June 2002 as evidenced by copies of two invoices bearing the same purchase order number showing sales to a distributor. The affidavit also included a copy of labels showing the use of the VANITY mark.

[7] The Senior Hearing Officer reviewed Scott Paper's evidence. Given the absence of any evidence of use, the Senior Hearing Officer considered that the date of last use was the date of acquisition of the trade-mark by the registered owner, March 28, 1989, approximately 13 years prior to the date of the decision. This determination is not challenged.

[8] Given the absence of any evidence as to the reason for non-use, the Senior Hearing Officer concluded that the reason for non-use was a deliberate and voluntary decision of the registered owner. This determination was not challenged.

[9] The Senior Hearing Officer identified three criteria to be used when considering special circumstances: the length of non-use, whether the non-use was due to circumstances beyond the registered owner's control and whether there was an intention to resume use of the mark in the near term. The origin of these criteria is the decision of this Court in *Canada (Registrar of Trade Marks) v. Harris Knitting Mills Ltd.* (1985), 4 C.P.R. (3d) 488 (*Harris Knitting Mills*).

[10] Having concluded that the date of last use was some 13 years previously and that the non-use was due to a deliberate decision to suspend use, the Senior Hearing Officer then considered whether there was evidence of a serious intention to shortly resume use of the trade-mark. The Senior Hearing Officer reviewed the affidavit of Mr. Teijeira and concluded that it was sufficient to show that the registered owner had a serious intention to resume use of the trade-mark prior to being served with the section 45 notice. The Senior Hearing Officer concluded that this amounted to special circumstances within the meaning of section 45. In the Senior Hearing Officer's view, the fact that the registered owner took steps to use the mark before having received the section 45 notice and made sales shortly after the notice date were of paramount importance in showing that the trade-mark was not deadwood and should not be expunged.

[11] The matter was appealed to the Federal Court where it was heard by Strayer D.J. After reviewing the facts, the learned judge began by acknowledging that the standard of review of the Senior Hearing Officer's decision was reasonableness, a conclusion which is not open to serious question following the recent decision of the Supreme Court of Canada in *Dunsmuir v. New Brunswick*, 2008 SCC 9, [2008] S.C.J. No. 9. While there is a right of appeal of the Hearing Officer's decision, the subject matter is one in which the Registrar and his delegated hearing officers have special expertise, and the legal questions involved are squarely within that area of expertise: see *Dunsmuir*, at paragraph 55.

[12] The judge then turned his attention to *Harris Knitting Mills*, the case to which the Senior Hearing Officer referred in setting out the criteria to be considered in determining if there were special circumstances excusing the non-use of the trade-mark. The judge quoted from the reasons of the Court in *Harris Knitting Mills*, emphasizing the passage which says:

... 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.

[*Harris Knitting Mills*, at p. 3.]

The judge commented that the Senior Hearing Officer appeared to have given no weight to this statement in her decision.

[13] The judge then reviewed two cases subsequent to *Harris Knitting Mills* which the Senior Hearing Officer relied upon in support of her decision, namely *Oyen Wiggs Green & Mutala v. Pauma Pacific Inc.* (1999), 84 C.P.R. (3d) 287 (F.C.A) (*Oyen Wiggs Green & Mutala*) and *Ridout*

and Maybee v. Sealy Canada Ltd. (1999), 87 C.P.R. (3d) 307 (*Ridout and Maybee*). He distinguished *Oyen Wiggs Green & Mutala* on the basis that the period of non-use was three years but also, and more importantly, on the basis that there was no evidence in that case of a deliberate decision not to use the trade-mark. As for the *Ridout and Maybee* case, the judge noted again the relatively short period of non use (three years) and that the registered owner had demonstrated an intention to resume use of the trade-mark during the relevant period and had done so after service of the notice.

[14] The learned judge noted that the Senior Hearing Officer had many references in her reasons to the legislative object of removing deadwood from the register, the implication being that if an owner had any *bona fide* intention of resuming use of its trade-mark, it should not be expunged.

[15] In the end result, the learned judge concluded that the Senior Hearing Officer erred in applying the law to the facts in finding that a 13 year period of deliberate non-use could be excused by a registrant's intention to use the mark in the near future. In the judge's view, this conclusion was not reasonable.

THE APPELLANT'S POSITION

[16] The appellant challenges the learned judge's decision on the basis of this Court's own decision in *Oyen Wiggs Green & Mutala*, in which the same Senior Hearing Officer came to the same conclusion on similar facts. In that case, the Senior Hearing Officer found that the non-use of

the mark for a period of three years was due to a voluntary decision of the registrant, but that the registrant had taken concrete steps to resume its use. Her decision is as follows:

I am therefore satisfied that the evidence shows that the registrant was taking active steps prior to the date of the notice to resume use of the trade-mark in association with the biscuit mix. Furthermore, the evidence shows that sales in the normal course of trade were made one month after the date of the notice.

... this satisfied me that at the date of the notice, the trade-mark was not "deadwood" for "biscuit mix". I have arrived at this conclusion keeping in mind the intent and purpose of Section 45.

...

In view of the evidence furnished, I conclude that the trade-mark was not in use during the relevant period in association with the registered wares but that there are special circumstances that excuse the absence of use of the trade-mark in association with "instant biscuit mix" ...

[*Oyen Wiggs Green & Mutala*, FCTD, at p. 49.]

[17] On appeal to the Federal Court of Appeal, the Senior Hearing Officer's decision was upheld.

The heart of the Court of Appeal's decision is found in the following passage from the remarks of

Mr. Justice Marceau:

... while it seems that the mere expression of an intention to reactivate could hardly be seen as sufficient to bring into play paragraph 45(3) of the Act, we are not prepared to dispute the position of the Registrar that the actual realization of that intention by the taking of concrete steps prior to the notice could be sufficient.

[*Oyen Wiggs Green & Mutala*, at p. 288.]

[18] Thus, the appellant's position is that the Federal Court of Appeal has declined to interfere with the exercise of the Senior Hearing Officer's discretion in the past, in circumstances very like

those in issue in this case. On that basis, the appellant says that the learned judge erred in interfering with the Senior Hearing Officer's decision.

ANALYSIS

[19] Though purporting to rely upon the decision of this Court in *Harris Knitting Mills*, the Senior Hearing Officer was in fact relying upon the gloss put upon *Harris Knitting Mills* in a subsequent decision of the Federal Court, *Lander Co. v. Alex E. MacRae and Co.*, [1993] F.C.J. No. 115 (*Lander*), where the effect of *Harris Knitting Mills* was summarized as follows:

The applicable test, when dealing with special circumstances justifying non-use of a trade mark, can be found in *Registrar of Trade marks v. Harris Knitting Mills Ltd.* (1985), 60 N.R. 380 (F.C.A.). Three very important criteria must be considered. First, the length of time during which the trade mark has not been in use; secondly, it must be determined whether the registered owner's reasons for not using its trade mark were due to circumstances beyond his control; thirdly, one must find whether there exists a serious intention to shortly resume use.

[20] This expression of the principle in *Harris Knitting Mills* has often been cited, by both the Federal Court and by the Trade-marks Opposition Board, particularly in relation to the intention to resume use of the mark: see *Belvedere International Inc v. Sim & McBurney*, [1993] F.C.J. No. 1410 (F.C.T.D.), *NTD Apparel Inc. v. Ryan*, 2003 FCT 780, [2003] F.C.J. No. 1008 (F.C.T.D.), *Ridout & Maybee v. Sealy Canada Ltd.*, [1999] F.C.J. No. 1082, *Royal Bank of Canada v. Canada (Registrar of Trade Marks)*, [1995] F.C.J. No. 1049; see also *Anheuser-Busch, Inc. (Re)*, [2007] T.M.O.B. No. 57, *Unibroue Inc. (Re)*, [2006] T.M.O.B. No. 84, *Coldstream Products Corp. (Re)*, [2006] T.M.O.B. No. 81, *Moore (Re)*, [2006] T.M.O.B. No. 8 and *Jagotec AG (Re)*, [2005] T.M.O.B. No. 165.

[21] However, when one examines the decision of this Court in *Harris Knitting Mills*, a different test emerges. Writing for the Court, Pratte J.A. analyzed the elements of section 45 in a comprehensive manner, expressing his reasoning in the following paragraphs, whose reproduction below, though lengthy, is necessary to fully appreciate the conclusions to which he came:

Under section 44 [now section 45], where it appears from the evidence furnished to the Registrar that the trade mark is not in use, the Registrar must order that the registration of the mark be expunged unless the evidence shows that the absence of use has been "due to special circumstances that excuse such absence of use". The general rule is thus that absence of use of a mark is penalized by expungement. For an exception to be made to this rule, it is necessary, under subsection 44(3), for the absence of use to be due to special circumstances that excuse it. With regard to this provision, it should be noted first that the circumstances it mentions must excuse the absence of use in the sense that they must make it possible to conclude that, in a particular case, the absence of use should not be "punished" by expungement. These circumstances must be "special" [See *John Labatt v. Cotton Club Bottling Co*, 25 CPR (2d) 115.] in that they must be circumstances not found in most cases of absence of use of a mark. Finally, these special circumstances that excuse the absence of use must, under subsection 44(3), be circumstances to which the absence of use is due. This means that in order to determine whether the absence of use should be excused in a given case, it is necessary to consider the reasons for the absence of use and determine whether these reasons are such that an exception should be made to the general rule that the registration of a mark that is not in use should be expunged. I would add, finally, that the absence of use that must thus be excused is the absence of use before the owner receives the notice from the Registrar.

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.

[22] The conclusions to be drawn from this analysis are, it seems to me, the following:

- 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.

[23] The fourth of these factors is sufficient to dispose of this appeal. The special circumstances which excuse the absence of use of the mark must be the circumstances to which the absence of use is due. As one would expect, this is consistent with the statutory language which requires that the absence of use "*has not been due to special circumstances* that excuse the absence of use". The French version is even clearer when it too requires that « le défaut d'emploi *n'a pas été attribuable à des circonstances spéciales* qui le justifient ». The point here is not the nature of the special circumstances, but simply that the special circumstances refer to the cause of the absence of use, and not to some other consideration.

[24] Pratte J.A. makes this clear when he speaks of the nature of the inquiry required by subsection 45(3):

... in order to determine whether the absence of use should be excused in a given case, it is necessary to consider the reasons for the absence of use and determine whether these reasons are such that an exception should be made to the general rule that the registration of a mark that is not in use should be expunged ...

[25] The relevant inquiry as to whether special circumstances exist is an inquiry into the reasons for the non-use.

[26] Here, it is clear that the 13 year absence of use was due to a deliberate decision not to use the mark. As Strayer D.J. pointed out at paragraph 14 of his reasons:

... With respect, I believe it is important to keep in mind that the entitlement to obtain a trade-mark and to keep it is by law predicated on use of the trade-mark. As former Chief Justice Thurlow said in *Aerosol Fillers Inc. v. Plough (Canada) Ltd.* (1980), 53 C.P.R. (2d) 62 (F.C.A.) at 66:

...There is no room for a dog in the manger attitude on the part of registered owners who may wish to hold on to a registration notwithstanding that the trade mark is no longer in use at all or not in use with respect to some of the wares in respect of which the mark is registered.

[*Smart & Biggar v. Canada (Attorney General)*, 2006 FC 1542, [2006] F.C.J. No. 1928.]

[27] The facts of this case illustrate the wisdom of this policy.

[28] It is apparent from this analysis that a registrant's intention to resume use of a mark which has been absent from the marketplace, even when steps have been taken to actualize those plans, cannot amount to special circumstances which excuse the non-use of the trade-mark. The plans for future use do not explain the period of non-use and therefore, cannot amount to special circumstances. No reasonable construction of the words used in section 45 could lead to that conclusion.

[29] That said, the jurisprudence appears to have evolved in the direction of treating plans for resumption of use as special circumstances. It may be helpful to identify how it has come to that point.

[30] In his reasons, Pratte J.A. does identify the duration of the absence of use and the likelihood it will last a long time as relevant factors to be considered. One of the factors which is relevant to the likelihood that the absence of use will persist for a long time is the registrant's intentions with respect to the use of the mark.

[31] It is important to distinguish between explaining an absence of use and excusing an absence of use. Under subsection 45(3) "special circumstances" refers to the explanations offered for the absence of use. On the other hand, to excuse the absence of use is to attenuate the consequences of the absence of use. Whether or not a trade-mark is expunged is a function of the explanation offered for the non-use (the special circumstances) and of the characteristics of the period of non-use. The Senior Hearing Officer's error consisted of ignoring the explanation and treating one aspect of the circumstances of not use, the intention to resume use, as special circumstances.

[32] There is authority for such an approach in *Oyen Wiggs Green & Mutala*, a case relied upon by the appellants.

[33] In that case, the Registrar found that there was no evidence of use of the trade-mark in connection with the listed wares during the statutory period, except for one of the wares, biscuit mix. In his reasons, the applications judge, Jerome J., made no reference to any explanation for the absence of use of the trade-mark. Instead, he quoted from the Registrar's reasons as follows:

... In the Registrar's view, Pauma Pacific Inc. had taken active steps prior to the date of the notice to resume use of the trade-mark in association with biscuit mix. The decision states as follows at pp. 8-9:

I am therefore satisfied that the evidence shows that the registrant was taking active steps prior to the date of the notice to resume use of the trade-mark in association with biscuit mix. Furthermore, the evidence shows that sales in the normal course of trade were made one month after the date of the notice.

...

In view of the evidence furnished, I conclude that the trade-mark was not in use during the relevant period in association with the registered wares but that there are special circumstances that excuse the absence of use of the trademark in association with "instant biscuit mix" ...

[34] Jerome J. dismissed the appeal from the Registrar's decision allowing the registration to stand with respect to biscuit mix. On appeal to this Court, the appeal was dismissed in brief reasons, the operative portion of which reads as follows:

[3] On the other hand, while it seems that the mere expression of an intention to reactivate could hardly be seen as sufficient to bring into play paragraph 45(3) of the Act, we are not prepared to dispute the position of the Registrar that the actual realisation of that intention by the taking of concrete steps prior to the notice could be sufficient.

[35] In my view, it is impossible to reconcile this conclusion, for which no reasons were given, with the reasoning in *Harris Knitting Mills*, to which there is only a footnote reference in the Court's reasons. The decision in *Oyen Wiggs Green & Mutala* has the effect of validating the Registrar's finding that an intention to resume use of a trade-mark amounts to special circumstances. It is clear that the Court did not have drawn to its attention the requirement that the special circumstances referred to in subsection 45(3) must be circumstances to which the loss of absence of use is due. In my view, this is a case for the application of *Miller v Canada (Attorney General)*, 2002 FCA 370, [2002] F.C.J. No. 1375:

10. The test used for overruling a decision of another panel of this Court is that the previous decision is manifestly wrong, in the sense that the Court overlooked a relevant statutory provision, or a case that ought to have been followed: see, for example, *Eli Lilly and Co., and Janssen Pharmaceutica Inc. v. Apotex Inc.* (1997), 208 N.R. 395 at 396 (F.C.A.). The same test has been applied by provincial Courts of Appeal: see, for example, *R. v. White* (1996), 29 O.R. (3d) 577 at 604-05 (C.A.); *Bell v. Cessna Aircraft Co.* (1983), 149 D.L.R. (3d) 509 at 511 (B.C. C.A.); *R. v. Grumbo* (1988), 159 D.L.R. (4th) 577 at para. 21 (Sask.C.A.); and *Lefebvre c. Québec (Commission des Affaires Sociales)* (1991), 39 Q.A.C. 206.

[36] Given that the Court in *Oyen Wiggs Green & Mutala* did not discuss nor distinguish *Harris Knitting Mills*, a case directly on point which came to a contrary conclusion, it is my view that the Court overlooked a case that it ought to have been followed. In my view *Oyen Wiggs Green & Mutala* is not good law.

[37] I would therefore dismiss the appeal with costs.

"J.D. Denis Pelletier"

J.A.

"I concur
Alice Desjardins J.A."

"I agree
J. Edgar Sexton J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-64-07

(APPEAL FROM THE JUDGMENT OF THE HONOURABLE MR. JUSTICE STRAYER DATED DECEMBER 21, 2006 IN DOCKET NO. T-693-06)

STYLE OF CAUSE: *Scott Paper Limited v. Smart & Biggar, and The Attorney General of Canada*

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: January 9, 2008

REASONS FOR JUDGMENT BY: PELLETIER J.A.

CONCURRED IN BY: DESJARDINS J.A.
SEXTON J.A.

DATED: April 4, 2008

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