

Federal Court



Cour fédérale

Date: 20240208

Docket: T-2235-22

Citation: 2024 FC 204

Ottawa, Ontario, February 8, 2024

PRESENT: The Honourable Mr. Justice Southcott

BETWEEN:

CENTRIC BRANDS HOLDING LLC

Applicant

and

STIKEMAN ELLIOTT LLP

Respondent

JUDGMENT AND REASONS

I. Overview

[1] This decision addresses an appeal made pursuant to subsection 56 of the *Trademarks Act*, RSC 1985, c T-13 [Act] by way of application to this Court. The Applicant, Centric Brands Holding LLC [Centric], appeals a decision of the Registrar of Trademarks [Registrar] expunging Trademark Registration no. TMA423520 for AVIREX [the Mark] under section 45 of the Act [the Decision]. The Registrar expunged the Mark because there was no evidence of use of the

Mark in Canada during the relevant period prescribed by section 45, and Centric had not demonstrated special circumstances excusing the non-use.

[2] As explained in greater detail below, this application and the Applicant's appeal are dismissed, because it has not demonstrated special circumstances that excuse the absence of use of the Mark within the meaning of subsection 45(3) of the Act.

II. Background

[3] The Applicant and current owner of the Mark, Centric, is wholly owned by Centric Brands LLC [Centric Brands], a lifestyle brand collective that designs, sources, markets, and sells products in the apparel, accessories, beauty, and entertainment categories. Centric Brands' products are sold primarily in North America through mass-market retailers and specialty department stores and online.

[4] The AVIREX brand was founded in 1975 for a military-inspired line of apparel and accessories. Leather AVIREX jackets gained popularity as they were worn by musicians and actors and featured in movies. The aviator jacket worn by Tom Cruise in *Top Gun* (1986) was an AVIREX jacket.

[5] The Mark was registered on February 25, 1994 for use in association with the following goods [the Registered Goods]:

- (1) Wearing apparel and wearing apparel accessories, namely, jackets, pants, shoes, boots, hats, shirts, sweaters, T-shirts, sweatshirts, belts and buckles, trousers, shorts, boxer shorts, flight

shirts, coats, parkas, vests, gloves, scarves, headbands, caps and slippers.

(2) Satchels, shoulder bags, helmet bags, leather insignia, cloth insignia, patches, crests, jewellery, namely, aviator style pins, buttons, glasses, sunglasses, glasses cases, goggles, wood carvings, statuettes and watches.

(3) Handbags and luggage.

(4) Optical goods, namely, glasses and aviation goggles; jewelry and precious stones; leather and imitation leather and articles made from these materials which are not included in other classes, namely, travelling bags and luggage; and haberdashery articles, namely, buttons, grommets, hooks and eyes, pins and fasteners.

[6] Prior to October 29, 2018, the Mark was owned by KVZ International Ltd. [KVZ], an affiliate of Global Brands Group Holding Limited and GBG USA Inc. [collectively, GBG].

These companies were unrelated to Centric Brands. KVZ had owned the Mark since 2009. KVZ assigned the Mark to Centric on October 29, 2018 [Assignment], as part of a much larger transaction pursuant to a Purchase and Sale Agreement signed on June 27, 2018 [Agreement] between GBG and Centric Brands (then known as Differential Brands Group Inc.). The Assignment was made of record on June 28, 2019.

[7] At the request of Stikeman Elliott LLP [the Respondent], the Registrar issued a notice to the then-owner, KVZ, under section 45 of the Act [Notice], on October 12, 2018, i.e., seventeen days before the Assignment. The Notice required the owner of the Mark to furnish evidence of use of the Mark within the relevant period prescribed by section 45, that is October 12, 2015 to October 12, 2018 [Relevant Period], with respect to each of the Registered Goods. The Notice further required that, if the owner could not provide evidence of use, they provide the date when the Mark was last used in Canada and the reason for absence of use since that date.

[8] Centric responded to the Notice on June 11, 2019, with an affidavit sworn by Ms. Marjan Elbaum [Elbaum Affidavit], attesting to use of the Mark during the Relevant Period. At the time, Ms. Elbaum was the Associate General Counsel of Centric.

[9] On August 26, 2022, the Registrar issued its Decision, expunging the Mark. It is that Decision that forms the basis for this appeal.

[10] The Applicant filed the following new evidence in this appeal, as permitted by subsection 56(5) of the Act:

- A. an Affidavit dated February 27, 2023, of Jocelyn Wirshba, Senior Vice President, Legal Affairs with Centric; and
- B. an Affidavit dated February 27, 2023, of Mia Dell’Osso-Caputo, Vice President of Design for AVIREX with Centric.

[11] As a result of the Respondent’s position in its Memorandum of Fact and Law that these affidavits were inadmissible because they were sworn in the State of New York before a notary public for the State of New Jersey, both affidavits were re-sworn on August 24, 2023, in New York before a New York notary. In these Reasons, I will refer to the re-sworn affidavits as the Wirshba Affidavit and the Dell’Osso-Caputo Affidavit.

III. Decision under Appeal

[12] In the Decision under appeal, the Registrar relied on Centric's evidence as contained in the Elbaum Affidavit. The Registrar considered Ms. Elbaum's evidence that Centric did not generally have access to the books and records of the prior owner of the Mark. The Registrar also considered Ms. Elbaum's evidence on where and how the Registered Goods were typically sold, including that companies in Quebec were her company's distributors during the Relevant Period. The Registrar noted that the Elbaum Affidavit also attached as an exhibit print-outs dated April 25, 2019, from websites that Ms. Elbaum asserted indicated availability of the Registered Goods presently sold in Canada bearing the Mark. The Registrar also considered Ms. Elbaum's assertion that there had been sales of the Registered Goods shown in that exhibit in Canada during the Relevant Period.

[13] The Registrar noted Ms. Elbaum's explanations that Centric used, and intended to use, the Mark on all of the Registered Goods in Canada, and that Centric and the previous owner of the Mark had always sold, and intended to sell, the Registered Goods in Canada. The Elbaum Affidavit had illustrated Centric's intention through two ventures. First, Centric sold some of the Registered Goods to Target USA with the understanding that they would also be sold in Target stores in Canada, but Target closed all its Canadian stores. Second, Centric had discussions regarding merchandise associated with the sequel to the *Top Gun* movie (*Top Gun 2*), but the release of the movie was delayed. The Registrar considered Ms. Elbaum's assertions that the closing of the Target stores and the delay of *Top Gun 2* were beyond Centric's control.

[14] In considering the ownership of the Mark, the Registrar found that KVZ was the owner during all of the Relevant Period, given that Centric acquired the Mark on October 29, 2018, seventeen days after the Notice.

[15] The Registrar dismissed Centric's submission that, when the Elbaum Affidavit referenced activities by "my company," it was a reference to both Centric and KVZ. The Elbaum Affidavit did not define "my company," and Ms. Elbaum stated that she was employed by Centric without defining a relationship between her and KVZ. Moreover, Ms. Elbaum asserted she had no access to KVZ's records.

[16] The Registrar observed that, given KVZ was the registered owner of the Mark during the Relevant Period, evidence of use should demonstrate that either KVZ or a licensee used the Mark during that period. The Registrar also considered that, while invoices are not mandatory in order to satisfactorily reply to a section 45 notice (*Lewis Thomson & Son Ltd v Rogers, Bereskin & Parr* (1988), 21 CPR (3d) 483 (FCTD)), some evidence of transfer in the normal course of trade in Canada is necessary (*John Labatt Ltd v Rainier Brewing Co* (1984), 80 CPR (2d) 228 (FCA)). The Registrar noted that Centric furnished no evidence of transfer of the Registered Goods in Canada during the Relevant Period, except for Ms. Elbaum's assertion, which was not sufficient to demonstrate use. The Registrar also noted it was unclear how Ms. Elbaum would have known about such use, given that she did not have access to KVZ's records.

[17] The Registrar therefore concluded that Centric had not shown use of the Mark in association with the Registered Goods in Canada during the Relevant Period.

[18] Next, the Registrar considered whether, pursuant to subsection 45(3) of the *Act*, there were special circumstances that could excuse non-use. The Registrar cited *Smart & Biggar v Scott Paper Ltd*, 2008 FCA 129 [*Scott Paper*] for the rule that, while absence of use will generally be penalized by expungement, the absence of use may be excusable due to special circumstances. Given that the Registrar had established that KVZ was the owner during the Relevant Period, Centric was required to demonstrate special circumstances to excuse KVZ's non-use. The Registrar concluded that, save for bare assertions that Centric and KVZ had been in constant communication with potential Canadian retailers, that goods were sold to Target in the United States, and that discussions happened with movie producers, there was no evidence to demonstrate special circumstances to excuse non-use.

[19] Accordingly, the Registrar found the registration ought to be expunged.

IV. Issues

[20] In this appeal, Centric does not challenge the Registrar's finding of non-use of the Mark in association with the Registered Goods in Canada during the Relevant. Rather, its appeal relates to the Registrar's finding that Centric had not demonstrated special circumstances to excuse the absence of use of the Mark and, in support of its appeal arguments, it relies on the new evidence in the Wirshba Affidavit and the Dell'Oso-Caputo Affidavit.

[21] As such, this matter raises the following issues for the Court's determination:

1. What is the appropriate standard of review for this appeal?

2. Applying the appropriate standard of review to the consideration of special circumstances to excuse absence of use under subsection 45(3) of the Act, should the Mark be expunged?

V. Analysis

A. *What is the appropriate standard of review for this appeal?*

(1) General principles

[22] The standard of review for appeals under section 56 of the Act is generally the appellate standard of review (*Canada (Minister of Citizenship and Immigration) v Vavilov*, 2019 SCC 65 at paras 36-52; *Clorox Company of Canada, Ltd v Chloretec SEC*, 2020 FCA 76 [*Clorox*] at paras 22-23). For questions of mixed fact and law, this is the standard of palpable and overriding error; for pure questions of law, the standard is correctness (*Housen v Nikolaisen*, 2002 SCC 33).

[23] Palpable means an obvious error, while an overriding error is one that affects the decision-maker's conclusion (*Clorox* at para 38). Palpable and overriding error is a highly deferential standard of review, while the correctness standard applies no deference to the underlying decision-maker (*Clorox* at para 23; *Tokai of Canada Ltd v Kingsford Products Company, LLC*, 2021 FC 782 [*Tokai*] at para 22).

[24] However, where an applicant leads new evidence in an appeal of a decision of the Registrar, this can result in a different standard of review. The Court must first consider the materiality of the evidence and determine whether the evidence is sufficiently substantial,

significant and probative that it would have a material effect on the Registrar's decision (*Miller Thomson LLP v Hilton Worldwide Holding LLP*, 2020 FCA 134 at para 53; *Clorox* at para 21; *Seara Alimentos Ltda v Amira Enterprises Inc*, 2019 FCA 63 [*Seara*] at para 23). This is a preliminary analysis, intended to assess whether the new evidence, because of its significance and probative value, could have had a bearing on a finding of fact or the exercise of discretion by the Registrar. It is not intended to assess whether the new evidence would necessarily change the outcome (*Seara* at paras 23-25).

[25] To be material, new evidence must add something of significance to the evidence that was before the Registrar (*Vass v Leef Inc*, 2022 FC 1192 at para 27). New evidence may be material if it fills gaps or remedies a deficiency identified by the Registrar (*IPack BV v McInnes Cooper*, 2023 FC 243 at para 9).

[26] If the new evidence is material, the Court must review on a correctness standard that portion of the decision to which the evidence applies and make its own determination on the basis of the whole of the evidence. The Court is then not limited to finding a reviewable error in the Registrar's decision. Rather, the appeal is in the nature of a hearing *de novo* with the benefit of the additional evidence (*Clorox* at para 21; *Seara* at para 22).

[27] The Applicant argues the standard of review in this matter should be correctness, in the nature of a *de novo* appeal, because it has led new and material evidence in the appeal. The Respondent disagrees, arguing that the appellate standard applies because the Applicant's new evidence is not material.

(2) Materiality of new evidence

[28] As previously noted, the new evidence is comprised of the Wirshba Affidavit and the Dell’Osso-Caputo Affidavit. In broad strokes, the Wirshba Affidavit describes the transaction under which Centric acquired the Mark, and the Dell’Osso-Caputo Affidavit describes the history of the AVIREX brand, efforts by KVZ to use the Mark in Canada, issues encountered by KVZ in the course of those efforts, and further efforts and actual use of the Mark by Centric after the acquisition.

[29] Centric argues that Ms. Wirshba’s explanation of the details of the acquisition of the Mark from KVZ, supported by extensive documentation, fills a gap identified in the Decision, which found a lack of evidence of a relationship between the two companies. Centric submits that the details and timing of this transaction are material to its special circumstances argument, including establishing that the transaction was arm’s length and made in good faith.

[30] With respect to the Dell’Osso-Caputo Affidavit, Centric explains that, as set out in her affidavit, Ms. Dell’Osso-Caputo is a former GBG employee who has been involved in efforts to relaunch the AVIREX brand both on behalf of KVZ during the Relevant Period and subsequently on behalf of Centric. Her affidavit speaks to those efforts and attaches documentation she was able to retrieve from GBG/KVZ records, surrounding efforts by KVZ to license and sell AVIREX-branded apparel during the Relevant Period. Her affidavit also speaks to, and attaches documentation related to, continued efforts to re-launch the brand and ultimately Centric’s sale of AVIREX-branded goods following its acquisition of the Mark. Again, Centric submits that this evidence is central to its special circumstances argument.

[31] The Respondent argues that the new evidence merely supplements, reiterates or repeats that of Ms. Elbaum and adds nothing of probative value to the issue of whether Centric has shown special circumstances that excuse the non-use of the Mark. In particular, the Respondent emphasizes that the transaction by which Centric acquired the Mark closed after the end of the Relevant Period. The Respondent therefore argues that the evidence related to this transaction is not probative of special circumstances that could excuse the absence of use of the Mark during the Relevant Period. Similarly, the Respondent submits that evidence of Centric's efforts to use the Mark, and indeed any actual use of the Mark, after the Relevant Period is not probative of such special circumstances. The Respondent also argues that the evidence of KVZ's intention during the Relevant Period to resume use of the Mark cannot represent special circumstances that excuse the non-use of the Mark.

[32] The parties' arguments on the merits of this appeal focused significantly on the principles and jurisprudence surrounding special circumstances for purposes of subsection 45(3) of the Act, in cases where there has been a change in ownership of the mark. These are largely new arguments that were not advanced before the Registrar. I will analyse these arguments when assessing the merits, and Centric's new evidence is fundamental to this analysis. I therefore find that the new evidence is material and will conduct my review of the Decision on the correctness standard, making my own determination on the basis of the whole of the evidence.

B. *Applying the appropriate standard of review to the consideration of special circumstances to excuse absence of use under subsection 45(3) of the Act, should the Mark be expunged?*

(1) General principles related to the special circumstances exception

[33] As previously explained, this appeal engages the application of section 45 of the Act. Subsection 45(1) enables the Registrar to require that the registered owner of a trademark furnish to the Registrar evidence of use of the mark within the three year period immediately preceding the date of the notice and, if there has been no such use, evidence of the date of last use and the reason for the absence of such use since that date.

[34] Section 45(3) then affords the Registrar the authority to decide whether to expunge or amend the mark based on an absence of use. Section 45(3) states as follows:

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 trademark, either with respect to all of the goods or services specified in the registration or with respect to any of those goods 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 trademark is liable to be expunged or amended accordingly.

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 produits ou services spécifiés dans l'enregistrement, soit à l'égard de l'un de ces produits 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.

[35] In these Reasons, I will refer to the three-year period preceding the notice, as contemplated by subsection 45(3) generally as the “relevant period”, and I will employ the capitalized term “Relevant Period” (as defined earlier in these Reasons) to refer to the particular three-year period from October 12, 2015 to October 12, 2018, that preceded the Notice issued in this case.

[36] As reflected in subsection 45(3), while the general rule is that absence of use of a trademark by the owner during the relevant period will be penalized by expungement, there is an exception which can apply where the absence of use is due to special circumstances that excuse it. For the exception to apply, it is necessary to consider the reasons for the absence of use and then determine whether those reasons represent special circumstances in the sense that they excuse the absence of use (*Registrar of Trade-marks v Harris Knitting Mills Ltd.*, [1985] FCJ No 226, 4 CPR (3d) 488 [*Harris Knitting*] at para 10-11); *Scott Paper* at para 21).

[37] Special circumstances that excuse non-use must be unusual, uncommon, or exceptional (*John Labatt Ltd. v Cotton Club Bottling* (1976), 25 CPR (2d) 115 (FCTD)). The jurisprudence has also identified three criteria to be considered in assessing whether special circumstances exist that excuse non-use: (a) the length of time during which the trademark has not been in use; (b) whether the registered owner’s reasons for not using its mark were due to circumstances beyond its control; and (c) whether there exists a serious intention to shortly resume using the mark (*Fairweather Ltd. v The Registrar of Trade-Marks and Bereskin & Parr*, 2006 FC 1248 [*Fairweather*], citing *Harris Knitting*).

[38] The process created by section 45 has been described as a summary procedure, intended for the purpose of removing “deadwood” from the register. It is not intended to resolve substantive rights that may be in dispute between the parties (*Fairweather* at paras 36-37). As a result, the focus on evidence provided under this process should be upon its quality rather than its quantity, and there is no need for “evidentiary overkill” (*Rogers, Bereskin & Parr v Canada (Registrar of Trademarks)* (1987), 17 CPR (3d) 197 (FCTD)).

[39] I do not understand there to be any disagreement between the parties on these general principles.

- (2) Jurisprudence related to ownership changes and the special circumstances exception

[40] As previously noted, the Applicant’s arguments on the merits of this appeal focus significantly on a line of jurisprudence addressing section 45 proceedings in which there has been a change in the registered ownership of the relevant mark in proximity to the issuance of the section 45 notice. As expressed in *Fairweather* at paragraph 12, where there has been a recent assignment of a trademark, the period of non-use for purposes of determining special circumstances will generally be considered starting from the date the trademark was assigned. The jurisprudence recognizes both that a new owner of a mark will need some time to make arrangements for use of the newly acquired mark and that it is an overly technical approach to require a new owner to justify an absence of use of the mark by its predecessor (*Life Maid Right - 279-9232 Ontario Inc v Maid Right, LLC*, 2022 TMOB 104 [*Life Maid*] at para 26, 33).

[41] Other authorities the Applicant cites in support of this principle include *Fairweather* at para 12, citing *Arrowhead Spring Water Ltd., v. Arrowhead Water Corp.*, [1993] FCJ No. 138; *Comité interprofessionnel du vin de Champagne and Institut national de l'origine et de la qualité and Coors Brewing Company*, 2021 TMOB 78 [*Coors Brewing*] at paras 30-33; *Life Maid* at paras 32-34; *PNC IP Group Professional Corp. v Mark Anthony Group Inc.*, 2021 TMOB 268 at paras 29-30; *Cassels Brock & Blackwell LLP v Montorsi Francesco e Figli S.p.A.*, 2004 FC 753 at para 17; *Scott Paper Co. v Lander Co. Canada Ltd.*, (1996), 67 CPR (3d) 274 (TMOB) at p. 277(e); *Sim & McBurney v Hugo Boss* (1996), 67 CPR (3d) 269 (TMOB); *GPS (UK) v Rainbow Jeans Co* (1994), 58 CPR (3d) 535 (TMOB).

[42] While all these authorities addressed trademark ownership changes occurring within the relevant period, the Applicant has identified one case (*Marcus v Quaker Oats Co of Canada* (1990), 33 CPR (3d) 53 (TMOB) [*Marcus TMOB*]) in which the Registrar similarly addressed an ownership change that post-dated the relevant period. As the Applicant notes, it is helpful to canvas the history of that decision, which was made following remand from the Federal Court of Appeal in *Marcus v Quaker Oats Co of Canada* (1988), 20 CPR (3d) 46 (FCA) [*Marcus FCA*].

[43] The trademark owner (Debdonnel) had been served an expungement notice and, a few months later, it assigned the mark to a related entity (Menu Foods), which was the entity that actually had been using the trademark during the relevant period. The assignment was expressed to be *nunc pro tunc* (i.e., with retroactive effect) such that it preceded the expungement notice by approximately one year. Menu Foods then tendered evidence that it was using the mark as owner during the relevant period prior to the notice.

[44] The Federal Court of Appeal found that there was no evidence that the assignment had any retroactive effect. It therefore rejected the evidence of use by Menu Foods, finding that only the owner of the mark (Debdonnel) could establish use during the relevant period. In the course of its analysis, the Court of Appeal remarked that transactions postdating the issue of an expungement notice may properly be viewed with some scepticism and that, when the true circumstances are peculiarly within the knowledge of one party, that party should bring that evidence forward, as it was unreal and unfair to lay the onus on another who has no power to compel production of evidence (at page 50).

[45] The Federal Court of Appeal overturned the decision of the Federal Court, Trial Division, which had upheld the decision of the Registrar not to expunge the mark. The Court of Appeal declared that the mark had not been used in Canada, but it remanded the matter to the Registrar for consideration whether that absence of use was due to special circumstances that excused it (at p 53).

[46] In the subsequent redetermination decision in *Marcus TMOB*, the Registrar conducted a special circumstance analysis (at p 55). Noting that the mark was assigned to Menu Foods some 10 months subsequent to the notice date, the Registrar observed that this was not a very long period of non-use, nor a long delay in which to record ongoing corporate reorganizations. Observing that the Registrar was at least partly responsible for the confusion in the case, and relying on a principle enumerated in *George Weston Ltd v Sterling & Affiliates* (1984), 3 CPR (3d) 527 (FCTD) [*George Weston*] in somewhat similar circumstances, the Registrar was prepared to accept that special circumstances existed to excuse the non-use of the mark. The

Registrar also cautioned that the decision should not be construed as a precedent for the proposition that a post-notice assignment can be considered *per se* special circumstances that can excuse non-use of a mark.

[47] The Applicant submits that *Marcus TMOB* represents application of the aforementioned line of jurisprudence, surrounding section 45 proceedings in the context of ownership changes, to a post-notice assignment.

[48] The Respondent recognizes the line of jurisprudence on which the Applicant relies but also draws the Court's attention to *Dentons Canada LLP v CanWhite Sands Corp*, 2020 TMOB 95 [*Dentons*] at paragraphs 34 to 36, in which the Registrar found that it was not appropriate for an assignment of a mark in itself to constitute a "reset" button for purposes of the requirements of section 45 or in determining the length of non-use under the first criterion in the *Harris Knitting* test. *Dentons* also cited TMOB authority for the principle that the assignment of a trademark does not in itself constitute special circumstances.

[49] The Respondent also argues that the decision in *Marcus TMOB* on which the Applicant relies is distinguishable, as it is apparent from Centric's evidence that it had full knowledge of the Notice prior to closing the acquisition of the Mark; that the transaction documentation reflects Centric acquiring the Mark on an "as is, where is" basis; that the acquisition of the Mark was in the context of the sale of a business; and that the transaction documentation entitles Centric to access to information and documentation of the previous owner. As such, the Respondent submits that it is not unjust to require Centric to demonstrate that the non-use of the

Mark by KVZ during the Relevant Period was as a result of special circumstances that excuse that non-use. The Respondent further emphasizes the statement in *Marcus TMOB* that it should not be construed as a precedent for the proposition that a post-notice assignment *per se* translates into special circumstances excusing non-use of a mark.

[50] The Respondent submits that the Court should instead be guided by the reasoning in *Citadelle, Coopérative de Producteurs de Sirop d'Érable / Citadelle, Maple Syrup Producers' Cooperative v RAVINTORAIŠIO OY*, 2018 TMOB 55 [*Citadelle*], a case that (like *Marcus TMOB*) involved assignment of a mark subsequent to a section 45 notice. The Registrar in *Citadelle* identified material deficiencies in the affidavit evidence filed by the new owner in response to the notice but also found that, even if the evidence were to be accepted, it was insufficient to demonstrate use of the mark (at para 29). In then assessing special circumstances, the Registrar noted the new owner's submission that the scarcity of evidence of use in Canada was due to the evidence of use during the relevant period being in the hands of its predecessor in title. The new owner pointed to its recent acquisition of the mark, its intention to use the mark, and its resumption of such use through a website, as evidence of special circumstances excusing non-use of the mark during the relevant period (at para 38).

[51] In finding that the special circumstances exception did not apply, the Registrar in *Citadelle* referred to the new owner's actions after acquiring the mark but reasoned that special circumstances alleged to excuse non-use must apply to the relevant period. As the owner acquired the mark after the section 45 notice had been issued, the owner's actions with respect to

the mark following its acquisition did not address the circumstances that existed during the relevant period (at para 41).

[52] Citing *Scott Paper* at paragraph 28, the Registrar further reasoned that even a realized intention to resume use of a mark shortly after the end of the relevant period was, in and of itself, insufficient to excuse a period of non-use. The Registrar found that the evidence provided no indication that the owner's predecessor's reasons for not using the mark during the relevant period involved circumstances that were unusual, uncommon or exceptional or beyond its control (at para 42). Even accepting that it was difficult for the new owner to obtain information on prior use of the mark from its predecessor, the Registrar found that those difficulties did not constitute special circumstances excusing non-use of the mark per the *Harris Knitting* criteria.

(3) Applicant's evidence

[53] I will turn shortly to an analysis of the above jurisprudence and its significance for the outcome of my assessment of the parties' special circumstances arguments. First, however, I will explain how, with the benefit of the line of jurisprudence surrounding change of ownership, the Applicant argues that its evidence supports relief under the exception in subsection 45(3) of the Act.

[54] Centric submits that it became the presumptive or *de facto* owner of the Mark, and committed to acquire the Mark, during the Relevant Period when it signed the Agreement on June 27, 2018. Centric argues that it is not fair or reasonable to have expected Centric Brands to back out of or otherwise jeopardize the transaction under the Agreement (which Ms. Wirshba's

evidence indicates to have had a value of \$1.38 billion and to involve hundreds of trademarks and other subject matter) based on a section 45 notice concerning a single registration in Canada that was issued a mere 17 days before closing. Centric also submits that, despite being the presumptive owner of the Mark as of June 27, 2018, it could not seek to reintroduce AVIREX goods in Canada until the transaction closed on October 29, 2018, after the end of the Relevant Period.

[55] At the same time, Centric argues that due to the pending transaction KVZ could not complete efforts it had undertaken to relaunch the AVIREX brand in Canada. In support of this submission, Centric relies on Ms. Dell’Osso-Caputo’s evidence that during the Relevant Period KVZ was negotiating a licensing deal for use of the Mark with a Canadian business named Corey Vines, but that the deal was called off in June 2018 shortly after the announcement of the Agreement to sell the Mark to Centric.

[56] In addition to the circumstances surrounding the Agreement and its pending acquisition of the Mark, Centric’s evidence identifies the circumstances related to KVZ’s efforts to relaunch the AVIREX brand in connection with the *Top Gun 2* movie. Ms. Dell’Osso-Caputo, who was responsible for starting the brand relaunch at GBG (on behalf of KVZ) in 2017, explains that by November 2017 she had prepared a pitch presentation in connection with this relaunch and that the discussions with the producers of *Top Gun 2* began in early 2018. The initial release of the film was delayed by several years and no deal was ever concluded. However, by May 2018, new AVIREX-branded apparel price points and design concepts had been prepared and pitched to potential customers.

[57] The Dell’Osso-Caputo Affidavit also identifies Centric’s work to continue the relaunch of the Mark after the October 29, 2018 acquisition, culminating in a first sale in Canada to La Maison Simon, a large retailer based in Québec, in September 2019. Ms. Dell’Osso-Caputo states that between 2019 and 2022 Centric sold approximately \$175,000 worth of AVIREX goods in Canada.

[58] Based on the above evidence, Centric argues that the *Harris Knitting* criteria support a conclusion that it should not be punished for non-use of the Mark during the Relevant Period. In relation to the first criterion, the period of non-use, Centric recognizes that the most recent use of the Mark by KVZ evidenced by the Dell’Osso-Caputo Affidavit was in June 2011. However, it submits based on the jurisprudence on which it relies that it should not be required to account for the non-use of the Mark by KVZ during the Relevant Period. Centric argues that the Court should take into account only the relatively short period between either the Agreement in June 2018 or the acquisition in October 2018 and its first sale in September 2019.

[59] In relation to the second criterion, circumstances beyond the owner’s control, Centric relies on the evidence that it was party to a large scale acquisition with timing proximate to that of the Notice. Centric refers the Court in particular to *Coors Brewing*, which explained that, while an assignment of a mark does not in itself constitute a special circumstance, a recent assignment during the relevant period has been held to excuse non-use for a short period of time where there were additional circumstances beyond the control of the owner that reasonably affected the timing of the reintroduction of the goods associated with the mark. The Registrar in *Coors Brewing* accepted that the owner’s recent sizable acquisition, six months before the

expungement notices, in particular in combination with other circumstances beyond the control of the owner, represented special circumstances that excused the absence of use (at paras 25-27).

[60] Centric also argues that the steps required to relaunch the AVIREX goods represent circumstances beyond its control. It further submits that the delay of *Top Gun 2* from 2019 to 2022, which otherwise could have provided a unique opportunity to restart the brand relaunch during the Relevant Period, represents an event outside the owner's control.

[61] Finally, in relation to the third *Harris Knitting* criterion, a serious intention to shortly resume use, the Applicant notes that consideration is given to evidence that both pre-dates and post-dates the section 45 notice (see, e.g., *Coors Brewing* at paras 39-42). Again, Centric references Ms. Dell'Osso-Caputo's evidence of steps taken to relaunch the AVIREX brand prior to its acquisition of the Mark, which it submits demonstrates a serious intention to shortly resume selling AVIREX goods in Canada and elsewhere. Further, Centric argues that such intention is demonstrated by Ms. Dell'Osso-Caputo's evidence that a prototype AVIREX jacket had been made by November 2018, only a month after the acquisition, and that the first sale of AVIREX jackets occurred in September 2019.

[62] In summary, the Applicant submits that application of the evidence on appeal to the *Harris Knitting* criteria supports a conclusion that it should not suffer expungement of the Mark as a result of non-use during the Relevant Period.

(4) Analysis of jurisprudence related to ownership changes

[63] I begin my analysis of the application of the special circumstances exception by observing that I do not find the Applicant's position unsympathetic. I accept that its acquisition of the Mark was made in good faith as part of an arm's length transaction. This is not a transaction of which the Court is skeptical, in the sense raised by *Marcus FCA*. Centric acquired the Mark pursuant to the Agreement that it made prior to issuance of the Notice, and the evidence supports its submission that it did so with intention to use the Mark and ultimately did so, at least in relation to some of the Registered Goods. I also appreciate the purpose of section 45, as identified in the jurisprudence, being to eliminate "deadwood" from the register.

[64] That said, the Court must apply subsection 45(3) of the Act as written and as interpreted by applicable jurisprudence. I accept the line of jurisprudence upon which the Applicant relies and find that *Dentons* is either an outlier or, as the Applicant argues, is distinguishable because of the absence of any evidence surrounding the acquisition in that case (see paras 28, 36 and 37). As such, I accept that, in circumstances where a new owner requires a mark during the relevant period, the principles identified in that line of jurisprudence generally apply, such that the special circumstances analysis may focus on whether the absence of use is excused during the portion of the relevant period that follows the acquisition.

[65] However, I find compelling the Respondent's arguments as to why those principles do not apply in cases where the acquisition is subsequent to the end of the relevant period. As a decision of the Registrar, *Citadelle* is not binding on this Court or a decision to which the

principles of comity apply. Nevertheless, I find its reasoning to be instructive and consistent with both the language of subsection 45(3) and appellate jurisprudence interpreting the application of that subsection.

[66] As explained above, in finding that the special circumstances exception did not apply, the Registrar in *Citadelle* referred to the new owner's actions after acquiring the mark but reasoned that special circumstances alleged to excuse non-use must apply to the relevant period (at para 41). At the hearing of this appeal, the Applicant expressed disagreement with this statement, arguing that *Citadelle* provided no supporting statutory interpretation analysis. However, in my view, that interpretation of subsection 45(3) must be correct, in the sense that excusing non-use outside the relevant period simply has no statutory effect.

[67] When subsection 45(3) describes the available exception in terms of it appearing to the Registrar "... that the absence of use has not been due to special circumstances that excused the absence of use...", I read the phrase "the absence of use" as a reference to the non-use of the trademark described in the immediately preceding language of the subsection. That language refers to the trademark not having been used in Canada "... at any time during the three year period immediately preceding the date of the notice...".

[68] It follows that the absence of use, which must be excused by special circumstances in order for the exception to apply, is absence of use during the relevant period. I have also considered the French language version of subsection 45(3), which supports the same conclusion. I recognize that the modern approach to statutory interpretation considers not just the

text of a statutory provision but also its context and purpose (*Rizzo & Rizzo Shoes Ltd. (Re)*, [1998] 1 SCR 27 at para 21), and I have considered the Applicant's position that the purpose of subsection 45(3) is only to cull deadwood. However, as explained below, subsection 45(3) has been interpreted by the Federal Court of Appeal in a manner that is consistent with my interpretation of the text of the subsection.

[69] In *Harris Knitting*, the Federal Court of Appeal stated expressly that, for the exception to apply, the absence of use that must be excused through special circumstances is the absence of use before the owner receives the notice from the Registrar (at para 10). That means the absence of use during the relevant period.

[70] In *Scott Paper*, the Federal Court of Appeal re-examined *Harris Knitting* and similarly emphasized that the special circumstances which excuse the absence of use of a mark must be the circumstances to which the absence of use is due (at paras 21 to 23). In other words, as the absence of use which may give rise to expungement is absence of use within the relevant period, any special circumstances that may give rise to the exception must be circumstances to which that same absence of use during the relevant period is attributable (my emphasis).

[71] In my view, the line of authority related to ownership changes upon which the Applicant relies is (with the exception of *Marcus TMOB*, to which I will turn shortly) consistent with the above interpretation of subsection 45(3), because those authorities focus upon excusing non-use during the relevant period. In all those authorities (except *Marcus TMOB*), the change in ownership of the mark occurred before receipt of the expungement notice. As such, the new

owner held the mark for some portion of the relevant period, and it was available to the Registrar and the Court to apply subsection 45(3) to examine special circumstances that might excuse the new owner's non-use during its portion of the relevant period after it acquired the mark. The point is that, consistent with the authority afforded by subsection 45(3), the focus in those cases remained upon excusing non-use during the relevant period.

[72] However, if the ownership change occurs after the end of the relevant period, as in the case at hand, subsection 45(3) does not authorize an exception to expungement based on a similar focus on the period after the new owner acquired the mark, because the subsection 45(3) exception does not apply to special circumstances that might excuse non-use after the end of the relevant period.

[73] The reasoning in *Citadelle* is consistent with these conclusions. In that case, the owner had acquired the mark after the section 45 notice had already been issued, as a result of which the Registrar concluded that the owner's actions to resume use of the mark following its acquisition did not address the circumstances that existed during the relevant period (at para 41). Relying on the explanation by the Federal Court of Appeal at paragraph 28 of *Scott Paper*, that plans for future use did not explain a period of non-use, the Registrar also concluded that even a realized intention to resume use of a mark shortly after the end of the relevant period is, in and of itself, insufficient to excuse a period of non-use (at para 42).

[74] The Registrar explained that the new owner's evidence spoke merely to the owner's acquisition of and future plans for the mark. The evidence provided no indication that the

predecessor's reasons for not using the mark in Canada during the relevant period involved circumstances that were unusual, uncommon or exceptional, or beyond its control. The Register found that, even accepting that it was difficult for the new owner to obtain information on prior use of the mark from its predecessor, such difficulties did not constitute special circumstances excusing use of the mark per the criteria in *Harris Knitting*. Accordingly, the Registrar was not satisfied that the owner had demonstrated special circumstances excusing non-use of the mark during the relevant period within the meaning of section 45(3) of the Act (at paras 42-44).

[75] Turning to *Marcus TMOB*, as previously observed, the result in that case is not necessarily consistent with the above interpretation of subsection 45(3), which focuses upon whether special circumstances excuse the absence of use during the relevant period only. In *Marcus TMOB*, the Registrar observed that the 10 months between the date of the expungement notice and the date of the new owner's acquisition of the mark was itself not a very long period of non-use. That observation appears to have influenced the Registrar's conclusion that the special circumstances exception applied. However, it is difficult to understand how the fact that use of the mark resumed 10 months after the end of the relevant period could have excused the non-use during the relevant period.

[76] *Marcus TMOB* offers no further reasoning in support of the Registrar's conclusion that the exception applied, other than observing that the Registrar itself was at least possibly responsible for the confusion and referencing *George Weston* as involving somewhat similar circumstances. *George Weston* appears to have involved a situation where evidence of use of the mark during the relevant period was not accepted, because there had been a significant delay in

the Registrar's office in processing a user's application for status as a registered user of the mark. As such, in relying on *George Weston* and referencing confusion on the part of the Registrar, *Marcus TMOB* is perhaps best understood as decided largely based on special circumstances unrelated to those raised in the present case.

[77] Before leaving the legal analysis, I note that I have considered whether such analysis produces an unduly harsh or technical result. In particular, I have considered the Applicant's argument that, if the timing of either issuance of the Notice or closing of the acquisition differed by only three weeks, the principles in the line of authority upon which it relies would have applied directly to the circumstances of this case. However, I find compelling the Respondent's argument that, at least on the facts of this case, the result of the legal analysis for which the Respondent advocates is not unjust to the Applicant.

[78] The Respondent notes that it is clear from Ms. Wirshba's evidence that Centric was aware of the Notice when it completed the acquisition. Ms. Wirshba explains that, following issuance of the Notice and prior to the closing, GBG withdrew representations and warranties for the Mark, as reflected in the document that evidences the Assignment. As the Respondent notes, the Assignment reflects Centric assuming and accepting the Mark on an "as is, where is" basis. There is nothing in the record before the Court that evidences whether Centric received any price or other adjustment to the transaction to compensate for the increased uncertainty surrounding the registration of Mark. Nevertheless, I take the Respondent's point that these dynamics are distinguishable from those of the authorities on which the Applicant relies, in which new owners

learned of expungement initiatives only after acquiring the relevant mark and therefore had no opportunity to negotiate protections against the resulting risk of losing the mark.

[79] Moreover, the Respondent draws the Court's attention to provisions of the Agreement obliging GBG and its related entities to permit Centric to have reasonable access to its books and records and to furnish to Centric additional information that Centric may from time to time reasonably request. As such, Centric completed the acquisition with the benefit of this contractual commitment. I agree with the Respondent's position that these circumstances distinguish this matter from those in which the Applicant's authorities concluded that it would not be appropriate to require a new owner to justify an absence of use of the mark by its predecessor.

[80] With the benefit of that legal analysis, I will return to the Applicant's special circumstances arguments based on the evidence introduced on appeal.

(5) Analysis of special circumstances arguments

[81] Based on the above jurisprudential analysis, the Applicant is not in the same position as the new owners in the change of ownership authorities upon which it relies. Unlike the new owner in those authorities, the Applicant cannot ask the Court to consider the period of non-use, for purposes of assessing special circumstances, to be the period starting from the date of the acquisition. That period falls entirely outside the Relevant Period. I accept the reasoning that a new owner of a mark will need some time to make arrangements for use of a newly acquired mark, and that reasoning can potentially explain why Centric's first sale of an AVIREX-branded

item occurred in 2019, a little less than a year after the acquisition. However, those circumstances can at most explain a period of non-use after the end of the Relevant Period. Therefore, Centric's evidence of its effort to relaunch the AVIREX brand and indeed its evidence of sales commencing in September 2019, assuming that such sales constitute use within the meaning of section 4 of the Act, cannot serve to excuse the absence of use during the Relevant Period, which is necessary to invoke the subsection 45(3) exception.

[82] I note parenthetically that the parties' written and oral submissions focused significantly on a dispute as to whether Centric's evidence of sales in September 2019 and subsequently demonstrated use of the Mark within the meaning of section 4 of the Act and, if so, in relation to which categories of the Registered Goods. Given my above conclusions, it is unnecessary for me to address that dispute.

[83] Also, any putative interest in the Mark that Centric had once it signed the Agreement on June 27, 2018, does not assist it in excusing the absence of use during the Relevant Period. Centric was clearly not the registered owner of the Mark between June 27, 2018, and the end of the Relevant Period, and does not suggest that it was a licensee or otherwise entitled to use the Mark prior to the acquisition. As such, the absence of use during that timeframe was that of the previous owner (KVZ), and any special circumstances capable of invoking the exception would have to excuse that absence of use. In other words, it does not assist Centric to argue that the status of the transaction during this timeframe was such that it (Centric) could not seek to reintroduce AVIREX goods in Canada.

[84] All that said, it is of course available to Centric to adduce evidence to demonstrate special circumstances that excuse the absence of use by KVZ during the Relevant Period. I have therefore considered the Applicant's evidence and arguments to that effect.

[85] First, I note the evidence, summarized earlier in these Reasons, related to KVZ's efforts to relaunch the AVIREX brand in connection with the *Top Gun 2* movie. Ms. Dell'Osso-Caputo explains that the initial release of the film was delayed by several years and no deal was ever concluded, although KVZ had developed by May 2018 new AVIREX-branded apparel price points and design concepts had been prepared and pitched to potential customers.

[86] However, as the Respondent emphasizes, *Scott Paper* explains at paragraph 28 that intention or planning for future use of a mark, even when steps have been taken to actualize such plans, cannot explain a period of non-use and, therefore, cannot amount to special circumstances for purposes of subsection 45(3). The Applicant's evidence of the *Top Gun 2* initiative falls into this category.

[87] If there were evidence to support a conclusion that this initiative would have resulted in use of the Mark during the Relevant Period, but for special circumstances that intervened, this could represent a basis to invoke subsection 45(3). However, as the Respondent points out, even before the delay referenced in the Dell'Osso-Caputo Affidavit, the release of *Top Gun 2* had been scheduled for 2019, outside the Relevant Period. The Applicant has not adduced sufficient evidence to support a conclusion that special circumstances prevented the *Top Gun 2* initiative from resulting in use within the Relevant Period.

[88] Finally, I have considered the Applicant's argument that, due to the pending transaction between it and GBG, KVZ could not complete efforts it had undertaken to relaunch the AVIREX brand in Canada. As previously noted, the Applicant relies on Ms. Dell'Oso-Caputo's evidence that, during the Relevant Period, KVZ was negotiating a licensing deal for use of the Mark with the Canadian business, Corey Vines, but that the deal was called off in June 2018 shortly after the announcement of the Agreement to sell the Mark to Centric.

[89] Again, per *Scott Paper* at paragraph 28, KVZ's intention to resume use of the Mark does not represent a special circumstance excusing its absence of use. However, if the evidence established the pending transaction with Centric as the reason that use of the Mark through a license to Corey Vines did not occur during the Relevant Period, and if consideration of the *Harris Knitting* criteria favoured application of the exception, this argument could represent a basis to treat the pending transaction as special circumstances capable of invoking subsection 45(3).

[90] In connection with the Corey Vines deal, Ms. Dell'Oso-Caputo explains, with supporting exhibits, the events commencing in September 2017 associated with an effort to license the Mark for use with the sale of goods in Canada. On June 11, 2018, GBG on behalf of KVZ sent a draft license agreement to the potential licensee. The evidence includes that draft and accompanying correspondence.

[91] In my view, this evidence supports the conclusion that KVZ had a serious intention to shortly resume using the Mark, such that the third *Harris Knitting* criterion favours the

Applicant. However, the first criterion, the length of time during which the trademark had not been in use, does not favour the Applicant, as the evidence before the Court does not demonstrate any prior use of the mark by KVZ after June 2011.

[92] The outcome of my analysis of the Applicant's argument based on the failed Corey Vines deal turns on the second criterion, described in *Fairweather* as whether the owner's reasons for not using its mark were due to circumstances beyond its control (at para 11). *Harris Knitting* emphasizes the importance of this criterion (at para 11). The correspondence attached to the Dell'Oso-Caputo Affidavit demonstrates that, after receiving the draft license agreement, representatives of the potential licensee responded with comments on the draft. Then, as the Respondent submits, the sequence of events in the evidence culminates with what appears to be correspondence between representatives of GBG, confirming that one of them would advise the licensee's representatives that, due to recent changes in the GBG business, the licensing opportunity would not be pursued at that time.

[93] I agree with the Respondent's submission that this evidence supports the conclusion that it was GBG/KVZ that made the decision not to pursue the licensing deal to fruition. I appreciate that such decision was likely attributable to the larger transaction with the Applicant. However, these all represent business decisions by the owner of the marks and cannot be characterized as circumstances beyond the owner's control.

[94] Having considered the various arguments advanced by the Applicant, I find that none supports a conclusion that there exist special circumstances that excuse the absence of use of the

Mark within the meaning of subsection 45(3) of the Act. As such, applying the standard of review identified earlier in these Reasons, I agree with the Registrar that the Mark should be expunged.

VI. Conclusion and Costs

[95] Based on the above analysis, I find that the Applicant's appeal must be dismissed.

[96] At the hearing of this application, the parties communicated to the Court certain agreements they had reached surrounding the disposition of costs, including agreement that, if the Respondent were to prevail, it should be awarded lump-sum costs of \$7500.00 for fees and \$1500.00 for disbursements, for a total of \$9000.00. I accept this proposed quantification and disposition of costs, and my Judgment will so provide.

JUDGMENT IN T-2235-22

THIS COURT'S JUDGMENT is that:

1. This application and the Applicant's appeal are dismissed.
2. The Applicant shall pay the Respondent costs of this application in the lump-sum amount of \$9000.00, inclusive of fees and disbursements.

"Richard F. Southcott"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-2235-22

STYLE OF CAUSE: CENTRIC BRANDS HOLDING LLC v STIKEMAN
ELLIOTT LLP

PLACE OF HEARING: BY VIDEOCONFERENCE USING ZOOM

DATE OF HEARING: JANUARY 31, 2024

JUDGMENT AND REASONS: SOUTHCOTT J.

DATED: FEBRUARY 8, 2024

APPEARANCES:

Kristin Wall FOR THE APPLICANT
Paul Jorgensen
Caroline Henrie

Kevin Graham FOR THE RESPONDENT
Teresa (Tessa) Martel

SOLICITORS OF RECORD:

Norton Rose Fulbright Canada FOR THE APPLICANT
LLP
Toronto, Ontario

Stikeman Elliott LLP FOR THE RESPONDENT
Barristers & Solicitors
Ottawa, Ontario