

FEDERAL COURT OF APPEAL

BETWEEN:

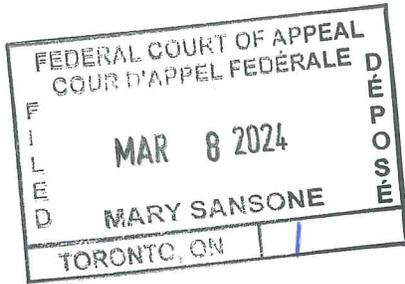
CENTRIC BRANDS HOLDING LLC

Appellant

– and –

STIKEMAN ELLIOTT LLP

Respondent



NOTICE OF APPEAL

TO THE RESPONDENT:

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the appellant. The relief claimed by the appellant appears below.

THIS APPEAL will be heard by the Court at a time and place to be fixed by the Judicial Administrator. Unless the Court directs otherwise, the place of hearing will be as requested by the appellant. The appellant requests that this appeal be heard at Toronto where the Federal Court of Appeal ordinarily sits.

IF YOU WISH TO OPPOSE THIS APPEAL, to receive notice of any step in the appeal or to be served with any documents in the appeal, you or a solicitor acting for you must prepare a notice of appearance in Form 341A prescribed by the *Federal Courts Rules* and serve it on the appellant's solicitor, or where the appellant is self-represented, on the appellant, **WITHIN 10 DAYS** of being served with this notice of appeal.

IF YOU INTEND TO SEEK A DIFFERENT DISPOSITION of the order appealed from, you must serve and file a notice of cross-appeal in Form 341B prescribed by the *Federal Courts Rules* instead of serving and filing a notice of appearance.

Copies of the *Federal Courts Rules*, information concerning the local offices of the Court and other necessary information may be obtained on request to the Administrator of this Court at Ottawa (telephone 613-992-4238) or at any local office.

IF YOU FAIL TO OPPOSE THIS APPEAL, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU.

March 8, 2024

Issued by:

"M. Lawrence"
Registry Officer

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APPEAL

THE APPELLANT APPEALS to the Federal Court of Appeal from the judgment and reasons of the Honourable Justice Southcott dated February 8, 2024 (the **Judgment**) in Federal Court File No. T-2235-22. The Judgment dismissed the Appellant's appeal, brought under section 56 of the *Trademarks Act*, RSC 1985, c T-13 (the *Act*), of a decision of the Registrar of Trademarks (the **Registrar**), dated August 26, 2022, expunging Trademark Registration No. TMA423520 for AVIREX (the **AVIREX Mark**) pursuant to section 45 of the *Act* (the **Registrar's Decision**).

THE APPELLANT ASKS that the following relief be granted:

1. An Order setting aside the Judgment and the Registrar's Decision;
2. Costs of this appeal and the application below; and
3. Such further and other relief as counsel may advise and this Honourable Court may deem just.

THE GROUNDS OF APPEAL are as follows:

I. Background

The AVIREX Mark

1. The AVIREX brand was founded in 1975 as a military-inspired line of apparel and accessories. The brand gained popularity in the 1980s and 1990s, with its leather AVIREX jackets being worn by famous musicians and actors, and featured in movies. The aviator jacket worn by Tom Cruise in *Top Gun* (1986) was an AVIREX jacket.
2. The AVIREX Mark was registered on February 25, 1994 for use in association with the following 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.

(collectively, the **Registered Goods**).

Appellant's acquisition and use of the AVIREX Mark

3. The Appellant, Centric Brands Holding LLC (**Centric Holding**), acquired the AVIREX Mark from KVZ International Ltd. (**KVZ**) in 2018 as part of a large-scale transaction between Global Brands Group Holding Limited and GBG USA Inc. (collectively, **GBG**) and Differential Brands Group Inc., which was later renamed Centric Brands Inc. and is now known as Centric Brands LLC (**Centric Brands**). Centric Holding is a wholly-owned subsidiary of Centric Brands.

4. GBG and Centric Brands were competing brand apparel companies. KVZ was an affiliate of GBG and had owned the AVIREX Mark since 2009.

5. On June 27, 2018, GBG and Centric Brands signed a Purchase and Sale Agreement for \$1.38 billion, whereby Centric Brands would acquire many entities and brands from GBG encompassing hundreds of trademarks (including the AVIREX Mark).

6. On October 29, 2018, the Purchase and Sale Agreement closed. On that day, KVZ assigned the AVIREX Mark to the Appellant.

7. Less than a year later, the Appellant started using the AVIREX Mark in Canada in relation to certain Registered Goods.

The Expungement Proceeding

8. On October 12, 2018, seventeen days before the Purchase and Sale Agreement would close, the Registrar issued, at the request of the Respondent, a notice under section 45 of the *Act* concerning the AVIREX Mark (**Section 45 Notice**).

9. The Section 45 Notice required that KVZ furnish evidence of use of the AVIREX Mark in Canada in the previous three years, from October 12, 2015 to October 12, 2018 (the **Relevant Period**). GBG withdrew representations and warranties for the AVIREX Mark on behalf of KVZ after the Section 45 Notice and just prior to the closing of the Purchase and Sale Agreement. However, at no time did KVZ attest it was not using the AVIREX Mark.

10. On June 11, 2019, the Appellant – the new owner of the AVIREX Mark – responded to the Section 45 Notice with an affidavit sworn by Marjan Elbaum, Associate General Counsel of the Appellant at the time (**Elbaum Affidavit**). Evidence before the Federal Court shows that Ms. Elbaum was also previously employed by GBG. In her affidavit, Ms. Elbaum attested to use of the AVIREX Mark in association with the Registered Goods during the Relevant Period, except for a group of “Other Goods” for which Ms. Elbaum provided evidence of circumstances explaining non-use of the Mark.

11. In its August 26, 2022 decision, the Registrar found that the Elbaum Affidavit did not show use of the AVIREX Mark in association with the Registered Goods in Canada during the Relevant Period. In addition, the Registrar found that the Elbaum Affidavit did not demonstrate special circumstances excusing non-use of the Mark.

II. The Judgment Below

12. The Appellant appealed the Registrar's Decision under subsection 56(1) of the *Act* by bringing an application in the Federal Court, pursuant to subsection 300(d) of the *Federal Courts Rules*.

13. The Appellant's application focused on special circumstances excusing non-use of the AVIREX Mark pursuant to subsection 45(3) of the *Act*.

14. The Appellant led new affidavit evidence, as permitted by subsection 56(5) of the *Act*, from Jocelyn Wirshba, Senior Vice President, Legal Affairs with the Appellant, and Mia Dell'Osso-Caputo, Vice President of Design for AVIREX with the Appellant. The Affidavits were dated February 27, 2023, but were re-sworn on August 24, 2023 for technical reasons. Both affiants were cross-examined by the Respondent on May 2, 2023.

15. In its February 8, 2024 Judgment, the Federal Court found that, in light of the new evidence, the standard of review was correctness and it would make its own determination on the basis of the whole of the evidence.

16. The Federal Court found that the Purchase and Sale Agreement was arm's length and was entered into by Centric Brands in good faith, with an intention to use the AVIREX Mark.

17. In addition, the Federal Court accepted that, in circumstances where a new owner acquires a trademark during the relevant period, the principles identified in a long-established 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.

18. However, the Federal Court concluded that this line of jurisprudence could not apply to the Appellant because – though the Purchase and Sale Agreement was signed before the Section 45 Notice issued – the AVIREX Mark was not officially assigned to the Appellant until the Purchase and Sale Agreement closed, which was seventeen

days after the Relevant Period ended. The Court found that the absence of use during the Relevant Period was solely that of the previous owner (KVZ) and any special circumstances capable of invoking the exception under subsection 45(3) had to excuse KVZ's absence of use. As a result, the Court held that it did not need to consider the Appellant's evidence of how it used the AVIREX Mark.

III. Grounds of Appeal

19. The Federal Court erred by incorrectly interpreting section 45 of the *Act*, including subsection 45(3), in such a manner that:

- (a) It ignored the purpose of section 45 proceedings, which is to provide a summary process for removing “deadwood” from the trademark registry and not to resolve substantive disputes over trademark rights;
- (b) It had no discretion to consider the Appellant's circumstances, including its acquisition and actual prompt and ongoing use of the AVIREX Mark, as the current registered owner of the Mark, and
- (c) The Appellant could only seek to establish special circumstances to excuse the absence of use of the previous owner (KVZ) during the Relevant Period.

20. Contrary to the section 45 jurisprudence, the Federal Court adopted “an overly technical approach” in its interpretation of the statute that disregarded the context and purpose of section 45.

21. Contrary to the context and purpose of section 45, the Federal Court expunged a trademark that is being used by its current owner – an owner who acquired the trademark in good faith with an intent to use it. The Court erred by failing to consider and afford proper weight to the Appellant's evidence that it was using the AVIREX Mark in Canada.

22. The Federal Court further erred by failing to apply the long-established line of section 45 jurisprudence that does not require the registered owner to defend periods of non-use by previous owners:

- (a) Consistent with the purpose of section 45, the new owner line of jurisprudence protects trademarks that, though they had not been used for three or more years, are not “deadwood” because of special circumstances unique to the new owner.
- (b) For this reason, the Federal Court and the Registrar have routinely focused the special circumstances analysis on non-use by a new owner, oftentimes limiting its review to the last few days, weeks, or months of the relevant period that follow the sale of the mark to the new owner.

23. The Federal Court erred by concluding that the new owner line of jurisprudence could not apply to the Appellant because it was not formally assigned the AVIREX Mark during the Relevant Period. In particular, the Court erred by:

- (a) Disregarding evidence that the commitment to purchase the AVIREX Mark occurred during the Relevant Period and before the Section 45 Notice issued. This circumstance is consistent with, and not distinguishable from, the new owner line of jurisprudence;
- (b) Relying on the Registrar’s decision in *Citadelle, Coopérative de Producteurs de Sirop d’Érable / Citadelle, Maple Syrup Producers’ Cooperative v Ravintoraisio Oy*, 2018 TMOB 55 (*Citadelle*), and finding that decision consistent with the *Act* and jurisprudence, when its reasons: (i) contained no supporting statutory interpretation; (ii) did not consider the prior conflicting jurisprudence in *Marcus v. Quaker Oats Company of Canada*, (1990) 33 CPR (3d) 53 (TMOB) (*Marcus Remand*); (iii) lacked any admissible evidence, such that special circumstances could never have been established in *Citadelle*, irrespective of the Registrar’s findings on the law; and (iv) concerned

very different facts than those in evidence here, including that the AVIREX Mark was being acquired as part of a large-scale, arm's length transaction and the Purchase and Sale Agreement for that transaction was signed during the Relevant Period; and

- (c) Distinguishing *Marcus Remand*: without regard to the legal findings made by this Court in *Marcus v Quaker Oats Company of Canada*, (1988) 20 CPR (3d) 46 (FCA); despite the change of ownership in that case occurring after the relevant period and still grounding a finding of special circumstances for the new owner; and on the basis that the special circumstances in that case were unrelated to those at issue here, when the same conclusion also applied to *Citadelle*.

24. On a proper interpretation of subsection 45(3), the Appellant is entitled to rely on the new owner line of jurisprudence. The Court erred in failing to find that special circumstances existed that excused non-use of the AVIREX Mark during the Relevant Period, given the evidence that:

- (a) The commitment to purchase, and the new owner's interest in the AVIREX Mark, arose during the Relevant Period on June 27, 2018, when Centric Brands and GBG entered into the Purchase and Sale Agreement;
- (b) The Appellant's interest in the AVIREX Mark was threatened by the Section 45 Notice;
- (c) The Appellant could not use the AVIREX Mark until the Purchase and Sale Agreement closed on October 29, 2018, seventeen days after the Section 45 Notice issued; and
- (d) The Appellant reasonably needed time to start using the AVIREX Mark, which it did within less than a year of acquiring it, as part of a relaunch of the AVIREX brand in Canada and elsewhere.

25. The Federal Court's conclusion that the new owner line of jurisprudence did not apply to the AVIREX Mark was based on a series of further errors in paragraphs [77] to [79] of the Judgment that led the Court to conclude that the outcome was "not unjust" to the Appellant.

- (a) The Federal Court erred by accepting the Respondent's argument that the AVIREX Mark was acquired on an "as is" basis. The fact that GBG/KVZ withdrew representations and warranties for the AVIREX Mark has no relevance to whether special circumstances exist that excuse non-use. The argument unfairly blames the Appellant, so that the outcome – the Appellant's loss of a trademark that it had agreed to buy months before the Section 45 Notice issued and that it has since used to relaunch a valuable commercial brand – seems less severe. The Federal Court's finding on this issue also contradict its other findings, including that Centric Brands first committed to purchase the AVIREX Mark during the Relevant Period in good faith, with all representations and warranties intact.
- (b) The Federal Court erred by finding that there was an opportunity to negotiate protections against the risk of losing the AVIREX Mark after the Section 45 Notice issued. There was no basis in the evidence for this finding. To the contrary, the evidence was that, when the Section 45 Notice issued, there were only seventeen days before the transaction would close and the AVIREX Mark was only one of the hundreds of trademarks being transferred. In any event, the Court's conclusion on this issue is not relevant to whether special circumstances exist that excuse non-use.
- (c) In accepting the "as is" argument and finding that there was an opportunity to negotiate protections, the Federal Court was, in essence, requiring the new owner to show that it had exercised "due diligence" in acquiring the AVIREX Mark before it could rely on the special

circumstances exception in section 45(3). This interpretation has no foundation in the words or the purpose of section 45. It is also contrary to the new owner line of jurisprudence which has not imposed a “due diligence” requirement, even when trademarks were acquired out of bankruptcies or had not been used since they were registered.

- (d) The Federal Court erred in finding that it was appropriate to require the Appellant to justify KVZ’s non-use of the AVIREX Mark because the Purchase and Sale Agreement has provisions “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.” With respect, the Court should not have made such a finding based on a contract in a summary section 45 proceeding. Moreover, the Court does not specify when the Appellant purportedly had a right to access GBG/KVZ’s records, particularly in light of the evidence of GBG’s bankruptcy in 2021. The Court also failed to consider the Appellant’s evidence that, in practice, it had limited access to GBG/KVZ’s records and no access to anyone at GBG/KVZ who could verify or attest to history of use or any non-use of the AVIREX Mark going back to 2009.

26. Finally, the Federal Court erred in finding that the Appellant had not demonstrated special circumstances that excused the absence of use by the previous owner (KVZ) during the Relevant Period. In particular, the Court’s analysis of GBG/KVZ’s lost opportunities, related to *Top Gun 2* and Corey Vines, was incomplete and based on a misapprehension of the law.

27. First, with respect to both lost opportunities, the Court set the burden of proof too high, given the summary nature of section 45 proceedings and given that the Appellant, as the registered owner of the AVIREX Mark, was required to marshal evidence of a competitor’s (GBG/KVZ’s) activities concerning the Mark months and

years before the Appellant acquired the Mark. Again, the Court also failed to consider the Appellant's evidence that, in practice, it had limited access to GBG/KVZ's records.

28. With respect to the failed *Top Gun 2* initiative, the Court erred in finding that the delayed release of the movie was not a special circumstance outside of GBG/KVZ's control given the unique role the first *Top Gun* movie played in the brand's initial success.

29. With respect to the failed Corey Vines licensing agreement, the Court found that its analysis of special circumstances turned on "whether the owner's reasons for not using its mark were due to circumstances beyond its control". The Court then erred in finding that the lost Corey Vines deal was a business decision that "cannot be characterized as circumstances beyond the owner's control". Many "business decisions" are not real choices within a company's control (*e.g.*, paying interest on loans, selling goods at market rates). The evidence was that when a \$1.38 billion opportunity arose for GBG/KVZ with Centric Brands, that new business opportunity put pursuing the Corey Vines deal concerning a single trademark out of GBG/KVZ's control in any meaningful sense.

30. On a proper analysis of the law and facts in their totality, special circumstances exist in this case that were "unusual" and "exceptional" to excuse non-use of the AVIREX Mark. The expungement of the AVIREX Mark should be reversed and the Appellant's rights in the Mark upheld.

31. The Appellant relies upon:

- (a) *Federal Courts Act*, RSC 1985, c F-7;
- (b) *Federal Courts Rules*, SOR/98-106;
- (c) *Trademarks Act*, RSC 1985, c T-13;
- (d) the proceedings herein and below; and

(e) such further and other grounds as counsel may advise and this Honourable Court may permit.

32. The Appellant proposes that this appeal be heard in Toronto.

March 8, 2024



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FEDERAL COURT OF APPEAL

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– and –

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(FILED MARCH 8, 2024)

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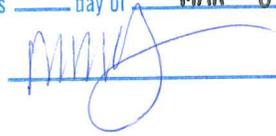
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I HEREBY CERTIFY that the above document is a true copy of
the original issued out of / filed in the Court on the _____

day of MAR - 8 2024 A.D. 20 _____

Dated this _____ day of MAR - 8 2024 20 _____



MARY SANSONE
REGISTRY OFFICER