

Federal Court



Cour fédérale

Date: 20100309

Docket: T-1020-09

Citation: 2010 FC 267

Ottawa, Ontario, March 9, 2010

PRESENT: The Honourable Mr. Justice Barnes

BETWEEN:

TUCUMCARI AERO, INC.

Applicant

and

CASELS, BROCK & BLACKWELL LLP

Respondent

REASONS FOR JUDGMENT AND JUDGMENT

[1] This is an appeal by Tucumcari Aero, Inc. (Tucumcari) brought under s. 56 of the *Trade-marks Act*, R.S.C. 1985, c. T-13 (Act). Tucumcari challenges a decision of the Registrar of Trade-marks (Registrar) dated April 9, 2009 expunging its Trade-mark Registration No. 496,171 for the trade-mark, “Moto Mirror and Design” (Moto Mirror Trade-mark). The Moto Mirror Trade-mark is registered in Canada for use with truck and automobile mirrors (wares).

I. Background

[2] On November 3, 2006 the Registrar, acting under s. 45 of the Act, gave notice to Tucumcari requiring it to show that the Moto Mirror Trade-mark was in use in Canada between November 3, 2003 and November 3, 2006 (the relevant period). Tucumcari responded with an affidavit sworn by Mr. James Williams attesting to use of the Moto Mirror Trade-mark in association with truck and commercial vehicle mirrors during the relevant period and referring to Tucumcari's control over the quality of those mirrors under an unspecified licensing arrangement.

[3] The Registrar was satisfied that Tucumcari had established the use of the Moto Mirror Trade-mark in Canada during the relevant period in association with truck and commercial vehicle mirrors. However, the Registrar found the Williams affidavit to be ambiguous with respect to the issue of Tucumcari's control over the character or quality of those products as required by ss. 50(1) of the Act. Subject to appeal, the Moto Mirror Trade-mark was ordered to be expunged under ss. 45(5) of the Act. It is from this decision that Tucumcari brings this appeal.

The Evidence Before the Court

[4] For the purposes of this appeal Tucumcari has submitted an additional affidavit sworn by a Vice-President with Commercial Vehicle Group, Inc., Mr. Raymond Miller, clarifying the evidence with respect to control over the trade-marked wares. That affidavit confirms the following facts and chronology of relevant events:

- (a) Throughout the relevant period, Tucumcari was the owner of the Moto Mirror Trade-mark.

- (b) On July 15, 1997 Tucumcari licensed to Echlin Inc. and Moto Mirror Inc. under agreement (the License Agreement) the exclusive use of the Moto Mirror Trade-mark in the United States, Canada and elsewhere (Echlin and Moto Mirror were merged in 1999 and became Echlin Inc. (Echlin)).
- (c) In March 2000 Echlin sold all of its assets including the License Agreement to Commercial Vehicle Systems, Inc. (CVS) and Tucumcari consented in writing to the assignment of the License Agreement to CVS. CVS changed its name in 2005 to Sprague Devices, Inc. (hereafter referred to as CVS/Sprague). At the time of this sale, representatives from CVS/Sprague travelled to North Carolina to obtain information about the design and specifications for mirrors using the Moto Mirror Trade-mark.
- (d) On March 1, 2001 CVS/Sprague entered into a Service and Supply Agreement (Supply Agreement) with National Seating Company, Inc. (National Seating). CVS/Sprague and National Seating are related companies. The Supply Agreement provided for National Seating to manufacture exterior mirrors for commercial vehicles on behalf of CVS/Sprague and to sell those products to its customers.
- (e) Every mirror manufactured by National Seating on behalf of CVS/Sprague and sold into Canada during the relevant period had attached to it a metal tag displaying the Moto Mirror Trade-mark.
- (f) During the relevant period National Seating sold the trade-marked mirrors to Canadian customers with the value of those transactions exceeding \$2.8 million (U.S.D.).

II. Issue

[5] Should the registration of the Moto Mirror Trade-mark be expunged or amended on the basis of non-use by Tucumcari during the relevant period?

III. Analysis

Standard of Review and Burden of Proof

[6] A thorough discussion concerning the standard of review for an appeal under s. 56 of the Act can be found in the Federal Court of Appeal decision in *Molson Breweries v. John Labatt Ltd.* (2000), [2000] 3 F.C. 145 at para. 51, 252 N.R. 91 (C.A.), from which I adopt the following:

51 I think the approach in *Benson & Hedges* and *McDonald's Corp.* are consistent with the modern approach to standard of review. Even though there is an express appeal provision in the *Trade-marks Act* to the Federal Court, expertise on the part of the Registrar has been recognized as requiring some deference. Having regard to the Registrar's expertise, in the absence of additional evidence adduced in the Trial Division, I am of the opinion that decisions of the Registrar, whether of fact, law or discretion, within his area of expertise, are to be reviewed on a standard of reasonableness *simpliciter*. However, where additional evidence is adduced in the Trial Division that would have materially affected the Registrar's findings of fact or the exercise of his discretion, the Trial Division judge must come to his or her own conclusion as to the correctness of the Registrar's decision.

[7] In this case substantial additional evidence has been adduced on behalf of Tucumcari in the form of the affidavit by Mr. Miller. Attached to that affidavit are the License Agreement and the Supply Agreement which deal with control over the quality of the mirrors associated with the Moto Mirror Trade-mark. I am satisfied that this new evidence addresses the ambiguities in the evidence

which concerned the Registrar and would have materially affected her findings of fact on the determinative issue of indirect control. In the result, I am required to reach my own conclusion with respect to that issue.

[8] In terms of the evidence required to establish “use” under s. 44 of the Act, I would apply the well-known statement from *Philip Morris Inc. v. Imperial Tobacco Ltd.* (1987), 13 C.P.R. (3d) 289 at 293, 8 F.T.R. 310 (F.C.T.D.):

It is well established that the purpose and scope of s. 44 is to provide a simple, summary and expeditious procedure for clearing the register of trade marks which are not *bona fide* claimed by their owners as active trade marks. The procedure has been aptly described as one for removing "deadwood" from the register. The section does not contemplate a determination on the issue of abandonment but rather simply places on the registered owner of the trade mark the onus of furnishing evidence of use in Canada or of special circumstances excusing non-user. The registrar's decision is not one that finally determines substantive rights but only whether the trade mark entry is liable to be expunged under s. 44 or not. If user is relied on then the evidence filed in response to the notice must "show" the use, or at least, sufficiently relate the facts from which such use can be inferred. Mere statutory tracking in the nature of a bare statement that the registrant was currently using the trade mark in the normal course of trade in association with the wares is insufficient to establish user unless coupled with facts that are descriptively corroborative of the same. Evidence of a single sale, whether wholesale or retail, in the normal course of trade may well suffice so long as it follows the pattern of a genuine commercial transaction and is not seen as being deliberately manufactured or contrived to protect the registration of the trade mark. Evidence in response to a s. 44 notice should be forthcoming in quality, not quantity, and there is no need nor justification for evidentiary overkill. [authorities removed]

Also see *Barrigar & Oyen v. Canada (Registrar of Trade Marks)* (1994), 54 C.P.R. (3d) 509 at 511, 46 A.C.W.S. (3d) 948 (F.C.T.D.).

Should the Moto Mirror Trade-Mark be Expunged?

[9] The Registrar's decision is unimpeachable on the evidence presented to her. That evidence was found sufficient to establish use of the Moto Mirror Trade-mark in Canada during the relevant period in association with truck and commercial vehicle mirrors and that part of the decision is not challenged by the Respondent. What was lacking before the Registrar was evidence that Tucumcari had direct or indirect control over the character or quality of those mirrors such that the licensed use of the trade-mark would enure to the benefit of Tucumcari. The Registrar found that the evidence of control was ambiguous, and it was.

[10] What Tucumcari failed to produce in the hearing below, but has produced to the Court, is detailed affidavit evidence which specifically describes the corporate and contractual relationships among Tucumcari, CVS/Sprague and its related company, National Seating. Copies of the licensing and sub-licensing agreements form part of the record before the Court.

[11] The central issue before me is whether the evidence is now sufficient to establish Tucumcari's control over the character or quality of the trade-marked wares.

[12] The Respondent acknowledges that sub-licensing of a trade-mark is permitted in Canada, and, indeed, the reference to indirect control in ss. 50(1) of the Act seems to me to be a recognition of that possibility. There appears to be little authority which discusses what is required to establish indirect control by a registrant over the quality of wares produced under sub-license. The

Respondent argues that, at a minimum, the sub-license agreement should explicitly be made subject to the terms and conditions of control contained in the master licensing agreement. In *Sara Lee Corp. v. Intellectual Property Holding Co.* (1998), 76 C.P.R. (3d) 71, [1997] T.M.O.B. No. 95 (QL) (T.M.O.B.) that form of contractual linkage was held to be sufficient to meet the statutory requirement for indirect control. Admittedly the agreements that are relied upon by Tucumcari to establish control are not as clear as those which were considered in *Sara Lee*. Nevertheless, for the purpose of meeting the requirements under s. 45 of the Act, I am satisfied that the evidence of indirect control by Tucumcari is sufficient to meet the required threshold.

[13] The License Agreement between Tucumcari and CVS/Sprague deals effectively with the issue of product quality in Article 4.01:

4.01 Licensees agree that they will apply the Licensed Trademarks only to products which are of a quality equal to those samples which have previously been examined and approved by Licensor. Licensees shall deliver to Licensor at Licensees' expense at its above address, one sample each year of each new product being offered for sale by Licensees under the Licensed Trademarks. Licensor shall also be entitled to verify the quality of marked products by personally examining a representative sample thereof, provided that any such inspection shall be accomplished during normal business hours and in such a manner as to avoid interference with Licensees' business. The verification of quality authorized in this section shall not extend to destructive testing of more than one unit of each new product model at no cost to Licensor. Licensor shall be eligible to purchase at cost any number of additional units for testing and evaluation.

[14] The Supply Agreement between CVS/Sprague and National Seating provides for National Seating to supply exterior mirrors for commercial vehicles manufactured in accordance with the

terms, conditions, quality and specifications defined by CVS/Sprague. Article 5.1 of that agreement deals with product quality as follows:

5.1 Quality and Specifications. All Products manufactured and supplied by Supplier under this Agreement shall be of CVS' approved design and manufacture. The review or approval by CVS of any designs, engineering drawings, quality control procedures, or any other aspect of the design and manufacture of Products hereunder shall not relieve Supplier of the responsibility for producing Products which comply with all applicable provisions of Federal, state and local laws, ordinances, rules, codes and regulations.

[15] I do not agree that in the context of sub-licensing the indirect control contemplated by ss. 50(1) of the Act requires an express condition in the sub-licensing agreement that the registrant will continue to determine whether the quality of the wares produced has been maintained. What is required is that the registrant be able to control product quality through the exercise of its contractual rights vis-à-vis the intermediary which, in turn, is entitled to control product quality under contract with the sub-licensee. So long as there is a continuity of quality control that can be effectively maintained by the registrant under the chain of contracts no special conditions or language are required.

[16] I am satisfied that the agreements that were created among Tucumcari, CVS/Sprague and National Seating are sufficient to establish Tucumcari's indirect control over the quality of the trade-marked mirrors during the relevant period.

[17] I also do not agree that paragraph 8 of Mr. Miller's affidavit is as vague or ambiguous as the Respondent contends and certainly it was open to the Respondent to cross-examine him if it thought that clarification was required. As I read paragraph 8 when Echlin sold its assets to CVS/Sprague in March 2000, representatives from CVS/Sprague went to Canton, North Carolina to obtain quality control information that was necessary to ensure continuity in the design and quality of mirrors using the Moto Mirror Trade-mark. It is implicit from this evidence that this information was provided by Echlin as part of the sale of its assets. Mr. Miller further deposed that after the Supply Agreement with National Seating was put in place mirrors using the Moto Mirror Trade-mark were built "in accordance with drawings and manufacturing instructions provided by Sprague Devices". At the time of the sale of Echlin's assets to CVS/Sprague, Echlin sought and obtained Tucumcari's consent to the assignment of the License Agreement to CVS/Sprague. Echlin also advised Tucumcari that day-to-day operations under CVS would be substantially unchanged and that the new owner would continue to provide "the same high-quality products and services...". Although there is no provision in the License Agreement that expressly authorizes sub-licensing, there is also nothing specific to prohibit it. In any event, the evidence before me is sufficient to at least infer that Tucumcari acquiesced to this sub-license arrangement¹. If an effective trade-mark licensing arrangement can be found by implication, I see no reason why a registrant cannot consent to a sub-licensing arrangement on the same basis: see *Wells' Dairy Inc. v. U L Canada Inc.* (2000), 7 C.P.R. (4th) 77 at paras. 38-40, 98 A.C.W.S. (3d) 189 (F.C.T.D.).

¹ I do not interpret Article 2.06 of the License Agreement as a prohibition to sub-licensing in a situation where Tucumcari acquiesces to such an arrangement.

[18] The Respondent contends that under the License Agreement Tucumcari effectively relinquished control over the Moto Mirror Trade-mark as part of an arrangement for the payment of royalties culminating in the assignment of ownership of the Moto Mirror Trade-mark after 10 years. I do not agree that the License Agreement can be interpreted in this way. It is correct that under the License Agreement CVS/Sprague was ultimately buying the Moto Mirror Trade-mark, but until the agreement had been fully executed, Tucumcari retained ownership of the mark and had a corresponding interest in preserving the goodwill which attached to it. That is so because under Article 6.01 of the License Agreement CVS/Sprague was required to meet all of its material obligations under the threat of termination of the agreement and the restoration of Tucumcari's right to the use of the trade-mark. What is important is that Tucumcari retained the right under the License Agreement to control the quality of the products produced under the Moto Mirror Trade-mark including the right of annual inspection. If the products produced by National Seating under sub-license were deficient, Tucumcari could terminate the License Agreement with CVS/Sprague and thereby effectively bring an end to the sub-license arrangement. This is sufficient to establish indirect control by Tucumcari as required by ss. 50(1) of the Act.

Amendment to Registration

[19] Having found that Tucumcari had failed to establish its use of the Moto Mirror Trade-mark as required by ss. 50(1) of the Act, the Registrar ordered its expungement. It was accordingly unnecessary for her to deal with whether the evidence of the use of that mark was sufficient to cover all of the wares specified in that Registration - that is, for truck and automobile mirrors.

[20] In my view in order to prove use there must be some evidence to show that the trade-mark was used in association with each ware specified in the registration: see *McCarthy Tétrault v. Hilary's Distribution Ltd.* (1996), 67 C.P.R. (3d) 279, [1996] T.M.O.B. No. 71 (QL) (T.M.O.B.). Because there is no evidence before me of any use of the trade-mark in Canada during the relevant period in association with automobile mirrors, the Registration must be amended to delete that reference.

IV. Conclusion

[21] On the basis of the foregoing, this appeal is allowed in part with the Registration of the Moto Mirror Trade-mark to be amended to delete the reference to automobile mirrors.

JUDGMENT

THIS COURT ADJUDGES that this appeal is allowed, in part, with the Registration of the Moto Mirror Trade-mark bearing No. 496,171 to be maintained in the Register of Trade-marks but with an amendment to delete therefrom the reference to automobile mirrors.

THIS COURT FURTHER ADJUDGES that the Respondent pay to the Applicant the costs of this proceeding under Column II.

“ R. L. Barnes ”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1020-09

STYLE OF CAUSE: TUCUMCARI AERO, INC.
v.
CASSELS, BROCK & BLACKWELL LLP

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: February 18, 2010

**REASONS FOR JUDGMENT
AND JUDGMENT BY:** Mr. Justice Barnes

DATED: March 9, 2010

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