

LOSS OF TRADE-MARK RIGHTS: ABANDONMENT

Unlike other forms of intellectual property, exclusive rights in a trade-mark do not automatically expire after a set time period in Canada.ⁱ Although trademark registrations must be renewed every 15 years, a trade-mark may be protected as long as the trade-mark remains in use and continues to identify a single source of wares and/or services. This is true even if the trade-mark is never registered and even if a registration for the trade-mark has been allowed to lapse.

At the same time, a trade-mark is not an indefeasible property right, even when it is registered. A registration will not protect a trade-mark that is in fact “invalid”.

A former trade-mark may be found invalid on two primary grounds:

- a. the mark is abandoned; or
- b. the mark is no longer distinctive of a single source.

If invalid, a mark no longer qualifies for trade-mark status and cannot be enforced. Another business may adopt the same or similar mark with impunity.

In this article, we will address the issue of abandonment. A future article will examine the issue of lost distinctiveness. To begin, we will review some fundamentals.

What is a Trade-mark?

In Canada, trade-mark rights are acquired when a business associates a mark with its products or services in the context of their sale. The registration of a trade-mark is intended to

confirm title to these proprietary rights which are, in fact, established and maintained through such use.

In Canada, exclusive rights in a trade-mark are generally limited to the wares and services that it has been used to promote in the marketplace. The registration of a trade-mark presumptively grants the business the exclusive right to use the trade-mark across the country in association with all the wares and services listed in the registration.ⁱⁱ

When is a Trade-mark Abandoned?

Exclusive rights in a trade-mark may be lost when the trade-mark is abandoned in whole or in part. In each case, abandonment is a question of fact. In order to find abandonment of a trade-mark, it must be established that: (a) the mark is no longer in use in Canada; and (b) the business intended to abandon the mark which, of course, may be implied from conduct such as a long period of dis-use.ⁱⁱⁱ However, even after effectively abandoning a trade-mark, a business may continue to enforce exclusive rights in a trade-mark so long as it continues to enjoy a residual reputation in the mark.^{iv}

Generally speaking, it may be stated that:

- a. A trade-mark will be deemed abandoned in whole where there are no sales of any wares or services in association with the mark for a period of time such that the business no longer enjoys a reputation in the mark.
- b. A trade-mark may also be deemed abandoned in whole where the mark itself is changed or significantly altered so that the business no longer enjoys a reputation in the original trade-mark. This occurs most frequently with design marks when the

business amends or updates the graphic portions of a logo. It may also occur with respect to a word mark when the business adds or subtracts one or more words. Each deviation is considered a new trade-mark at law.

- c. A trade-mark will be deemed abandoned in part where there are no sales in some wares or services with which it had been formerly associated such that the business no longer enjoys a reputation in the mark for those wares or services. This occurs most frequently when a company discontinues a service or a line of products.

When a trade-mark is abandoned, exclusive rights in the mark can no longer be enforced and it is open to another business to adopt the same mark or a similar mark for its wares and services, even if it operates in the same lines of trade as the former trade-mark owner.

How is Registration Expunged after Abandonment?

For registered trade-marks, there is a general presumption that the mark is invalid for those wares and services listed in its registration if there have been no relevant sales for three years or more.

A registered trademark may be summarily expunged from the trade-mark register, in whole or in part, where:

- a. there are no sales in the normal course of trade during a *three year period* with respect to all or some of the wares for which the mark is registered; and
- b. the absence of such sales is not due to special circumstances that excuse non-use of a trade-mark, usually circumstances beyond

the control of the registrant such as a labour dispute or loss of a business partner.^v

In reference to the relevant section of the *Trade-marks Act*, this summary expungement mechanism is commonly referred to as a “section 45 proceeding”. It may be commenced with respect to any trade-mark that has been registered for three years or more by the Canadian Intellectual Property Office on its own initiative, or at the request of “any person who pays the prescribed fee”. It is intended to serve as an expeditious means of removing “deadwood” from the trade-mark register.

A section 45 proceeding is commenced when a notice is issued to the registrant requiring that it provide affidavit evidence showing, with respect to each of the wares and services listed in the registration, that there have been sales in Canada in association with the trade-mark within the last three years. If no affidavit evidence is filed, the subject registration will be automatically expunged in its entirety without further notice to the registrant. If affidavit evidence is filed, the registrant and the requesting party (if any) will be invited to submit written argument. As this is a summary procedure, cross-examinations are not available and reply evidence will not be accepted. Oral hearings will only be scheduled upon request.

After considering the affidavit evidence and any written argument filed, the trade-mark registrar may:

- a. maintain the registration in its entirety;
- b. expunge the registration in its entirety; or
- c. reduce the scope of the wares and services listed in the registration to reflect the sales evidence filed by the registrant.

The registrar’s decision may be appealed to the Federal Court, at which time the registrant may file additional evidence.^{vi} However, it should be

noted that the requesting party will have the right under the Federal Court Rules to cross-examine on any additional evidence filed at this time.

Strictly speaking, a section 45 proceeding only determines whether a registered trade-mark is considered invalid for “non-use” for the form in which it was registered and for the wares and services listed in the registration. Given its limited scope, a section 45 proceeding cannot determine whether a trade-mark has been “abandoned” in all forms and for all purposes. It also cannot determine whether a business continues to enjoy a residual reputation in the mark.

A full and determination of abandonment may only be obtained through the courts. The superior courts may, in response to an action for infringement, make findings as to the validity of registered trademarks.^{vii} Only the Federal Court has the broad statutory authority to strike out or amend any trade-mark registration from the register that does not accurately express the existing rights of the registrant.^{viii}

Conclusion

Given that most other forms of intellectual property will eventually expire, trade-marks rights are sometimes considered especially valuable to a business over the long term. Nevertheless, they do have unique vulnerabilities that should be taken into account in their management.

Businesses are well-advised not to lose sight of the fact that a trade-mark, even if registered, is not an indefeasible property right. To avoid abandoning its proprietary rights in a trade-mark, the business must continue to associate the mark with its products or services in the context of their sale.

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ⁱ In general terms, exclusive rights in a patent expire 20 years after the subject application was filed and exclusive rights in copyright expire 50 years after the death of the author. After the expiry of the applicable time period, those exclusive rights cannot be revived and the subject matter falls into the public domain.

ⁱⁱ Section 19, *Trade-marks Act*, RSC 1985, c. T-13 as amended

ⁱⁱⁱ *Promafil Canada Ltée v. Munsingwear Inc.* (1992), 44 C.P.R. (3d) 59 (Fed. C.A.); leave to appeal refused (1993), 47 C.P.R. (3d) v (S.C.C.)

^{iv} *Thermawear Ltd. v. Vedonis Ltd.*, [1982] R.P.C. 44 (Ch. D.)

^v Section 45, *Trade-marks Act*, RSC 1985, c. T-13 as amended

^{vi} Section 56, *Trade-marks Act*, RSC 1985, c. T-13 as amended

^{vii} *Clatworthy & Son Ltd. v. Dale Display Fixtures Ltd.* (1929) SCR 429 at para 11

^{viii} Section 57, *Trade-marks Act*, RSC 1985, c. T-13 as amended