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Use it or you may lose it

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INTRODUCTION

In Legalwerks September 2017, the top ten reasons to register trade marks were discussed, https://werksmans.com/legal-briefs-view/top-ten-reasons-to-register-your-trade-marks/. On payment of renewal fees when due a further benefit of trade mark registration is its unlimited lifespan.

A trade mark adds significant value to your business and as a result can be desired by others. If not used for a certain period, a trade mark can be vulnerable to cancellation for non-use. It is necessary for an interested third party to formally file cancellation proceedings on the grounds of non-use and it is then left up to the trade mark owner to shift that onus by providing evidence that the mark has in fact been used.

The non-use term depends on the territory. In some territories the non-use term is three years (as in China) alternatively five years (as in South Africa) which is calculated from date of registration. Practically, a mark registered in South Africa on 2 January 2010 could be vulnerable to cancellation if not used as of 2 January 2015.

The question whether promotional use or sample use is sufficient is often raised and consideration of the circumstances and relevant evidence is needed. This was recently addressed by the Canadian Federal Court in Riches, McKenzie & Herbert LLP vs Cosmetic Warriors Limited (2018 FC 63).

BACKGROUND

At the request of the Applicant, Riches, McKenzie & Herbert LLP, the Canadian Registrar of Trade Marks issued a notice of non-use cancellation against the registration of the trade mark **LUSH** in class 25 for "*clothing, namely t-shirts*" in the name of Cosmetic Warriors. Ordinarily associated with cosmetics and luxury bath products (classified in class 3 in terms of the Nice international classification) it was contended that Cosmetic Warrior's class 25 **LUSH** registration should be cancelled as it had not been used.

Cosmetic Warriors, however, furnished the Registrar with evidence of sales of the **LUSH** t-shirts to its employees in both Canada and the USA which the Registrar accepted as sufficient use of the mark and in the "*normal course of trade*" within the meaning of the Canada Trademarks Act.

Unsatisfied with this decision Riches, Mckenzie & Herbert appealed to the Federal Court raising the following:

A TRANSFER OF GOODWILL AND PROFIT IS REQUIRED

The **LUSH** t-shirts were only sold to employees. The Court found that in terms of the relevant section of the Trade Mark Act, "*normal course of trade*" requires "*a transfer for the purpose of acquiring goodwill and profits from the marked goods*". Since the t-shirts were sold at no profit, in small quantities to employees and considering that Cosmetic Warriors is not normally involved in the business of selling clothing it concluded that this evidence was not acceptable use of the mark "*in the normal course of trade*".

PROMOTIONAL USE AND EXPORTS

Sales at non-profit further reinforced that these sales served no other purpose than the promotion of its **LUSH** stores and its environmental campaign. Even the sales of the t-shirts to its USA employees – albeit cross border exports – did not constitute use taking into account that the exported t-shirts were to employees and were in minimal quantities.

The class 25 **LUSH** registration for clothing, namely t-shirts was expunged from the Canada Trade Mark Register.

USE IT OR LOSE IT

Trade mark owners and licensees are reminded to keep any evidence of use such as invoices and bills of lading. Not only is it necessary for an interested third party to file an application to cancel a mark for non-use, the acceptance of the evidence is subject to the relevant trade mark act and authority. Had Riches, Mckenzie & Herbert LLP not appealed, Cosmetic Warriors would have retained its class 25 registration on the Registrar's findings.

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