Federal Court  Cour fédérale

Date: 20160218

Docket: T-2496-14

Citation: 2016 FC 223

Ottawa, Ontario, February 18, 2016

PRESENT: The Honourable Mr. Justice O'Reilly

BETWEEN:

SPECIALTY SOFTWARE INC.

Applicant

and

BEWATEC KOMMUNIKATIONSTECHNIK GMBH

Respondent

JUDGMENT AND REASONS

I. Overview

[1] In 1992, Specialty Software Inc registered the trade-mark "MEDINET" in association with computer software programs. Specialty registered its mark in relation to wares rather than services.

[2] In 2011, Specialty assigned its mark to Medinet Health Systems Inc.

[3] In 2013, Bewatec Kommunikationstechnik GMBH initiated proceedings before the Registrar of Trademarks to expunge Specialty's mark from the register. In order to avoid expungement, Specialty was asked to show evidence of its use of the mark for the period between November 22, 2010 and November 22, 2013. Specialty failed to file any evidence and, accordingly, the Registrar granted Bewatec's application.

[4] Specialty now appeals the Registrar's decision and has presented fresh evidence of use. The parties do not dispute that evidence. It is clear that Specialty and Medinet have used the mark during the relevant period, particularly in relation to software used by hospitals and physicians to track patients' medications. However, Bewatec argues that the mark has been used in relation to services, not wares. This means, according to Bewatec, that Specialty is no longer entitled to its mark.

[5] At its heart, this dispute arises as a result of technological change. Specialty used to sell its software in a tangible form on disks. This is no longer necessary. Clients can now obtain access to the software over the internet from Specialty's computer server after installing an icon on their computers. Bewatec argues that this change means that Specialty is now providing a service in the form of access to a website. Specialty has not proved, Bewatec submits, that any transfer of property or possession has taken place, as is required by s 4 of the *Trade-marks Act*, RSC 1985, c T-13 (all provisions cited are set out in an Annex).

[6] I disagree with Bewatec's argument. In my view, there has been no real change in what Specialty is selling. The change relates to the means by which the software is transferred to

clients, not to the actual nature of Specialty's use of its trade-mark. Specialty has shown compliance with its legal requirements. Therefore, I must grant Specialty's appeal and order the Registrar to maintain its registration.

[7] The issue is whether Specialty has shown any transfer of the property in, or possession of, a ware, as required by the Act. (The word "wares" has since been replaced with the word "goods" in the Act. Nothing turns on this change and I will use the words "goods" and "wares" interchangeably).

II. Has Specialty shown any transfer of the property in, or possession of, a ware?

[8] Bewatec argues that Specialty's mark is associated with data and software available only through an internet browser. Specialty has not met, in its view, its burden of demonstrating that there has been a transfer of ownership or possession of any goods. It points out that Specialty's clients do not download or install or physically acquire anything. In reality, Bewatec says, clients merely obtain access to a service that Specialty provides over the internet.

[9] Bewatec relies on *MyLife.com Inc v Grbic*, 2014 TMOB 175. There, the Board concluded that providing free access to a website, without any evidence of any form of transfer of software to users, was a service. It struck the trade-mark owner's registration in relation to wares, but maintained it in respect of services.

[10] Bewatec argues that Specialty's online software is also situated on a website and that Specialty has failed to show an actual transfer to users, whether in the form of installation or registration of the software, during which the MEDINET mark is visible.

[11] I disagree.

[12] According to s 4 of the Act, a "trade-mark is deemed to be used in association with goods if, at the time of the transfer of the property in or possession of the goods, . . . it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred".

[13] Even though Specialty used to sell its software on disks – which are obviously tangible and easily identified as wares – it was always really selling a license to use the software, which is an intangible good. Specialty did not actually sell the software itself; it sold an entitlement to obtain access to it by way of licenses. The disks merely represented the means by which the transfer of the goods occurred. The real goods were, and are, the licenses.

[14] The evidence demonstrates that Specialty's trade-mark has been used in a manner that shows an association between the mark and the goods that are sold – the licences themselves:

- The software is sold to health care workers, including doctors, clinicians, and hospital staff, on an annual subscription basis.

- The software is situated on Medinet's server, and purchasers obtain access to it by way of a web browser on their own computers.
- After the sale, purchasers receive an invoice showing the MEDINET mark. They then receive a license agreement by e-mail.
- When purchasers log on to the software, they are linked to a screen showing the MEDINET mark.
- If a purchaser chooses not to renew a subscription, the purchaser's license to access the software is cancelled.

[15] In my view, this evidence shows that the mark is used in a manner that gives notice to purchasers of software licenses of an association between those goods and the registered mark and therefore, the requirements of the Act regarding use have been met.

[16] Specialty's operations closely resemble those carried out by companies selling software and whose trade-marks have been upheld in respect of wares. For example, the Board has accepted that a mark could be considered to have been used in association with software if there was evidence that purchasers would have seen the mark at the time the software was transferred to them, that is, when it was installed on their computers: *Brouillette Kosie Prince v Axon Development Corp* (2005), 50 CPR (4th) 273. The Board struck the trade-mark in that case because there was no actual evidence of any transfers during the relevant period.

[17] Similarly, the Board found an association between the mark in question and wares based on evidence of sales and renewals of software, including evidence of licensing agreements:

Baker & McKenzie LLP v Genesistems Inc (2009), 74 CPR (4th) 75. In another case, dealing with the same mark, the Board found the required association existed based on the appearance of the mark on license agreements that customers would see before installing the software, and on the installation screens themselves: *Clark Wilson LLLP v Genesistems Inc*, 2014 TMOB 64. In the latter case, the Board observed that "institutional computer software is not a physical object, and thus a computer software company experiences unique difficulties when attempting to associate a trade-mark with its software" (at para 10).

[18] Certainly, Specialty has experienced those difficulties in this case. However, as the President and CEO of Medinet, Ms Katherine Linda Culter, put it: "License agreements for software products are license agreements for software products, however you want to provide access".

[19] I am satisfied that the evidence before me meets the fairly low threshold that a registered owner must meet to demonstrate that its mark is not merely "deadwood" on the register: *Performance Apparel Corp v Uvex Toko Canada Ltd* (2004), 31 CPR (4th) 270 (FC), at 282.

[20] The Applicant has demonstrated that there has been a transfer of property in a ware. The ware in question is the license to use the software. The property is the entitlement to enjoy the use of the licence. The transfer has occurred through the granting of access, on payment of a subscription fee, in the form of login credentials. The mark is visible to purchasers before, during and after the transfer. Accordingly, the requirements of s 4(1) of the *Trade-marks Act* have been met.

III. Conclusion and Disposition

[21] Specialty has demonstrated an association between its mark and the transfer to purchasers of the means to acquire access to and make use of its software. I must, therefore, allow this appeal, with costs.

JUDGMENT

THIS COURT'S JUDGMENT is that the appeal is allowed, with costs.

"James W. O'Reilly"
Judge

Annex

Trade-marks Act, RSC 1985, c T-13	*Loi sur les marques de commerce*, LRC (1985), ch T-13
When deemed to be used	Quand une marque de commerce est réputée employée
4. (1) A trade-mark is deemed to be used in association with goods if, at the time of the transfer of the property in or possession of the goods, in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred.	**4.** (1) Une marque de commerce est réputée employée en liaison avec des produits si, lors du transfert de la propriété ou de la possession de ces produits, dans la pratique normale du commerce, elle est apposée sur les produits mêmes ou sur les emballages dans lesquels ces produits sont distribués, ou si elle est, de toute autre manière, liée aux produits à tel point qu'avis de liaison est alors donné à la personne à qui la propriété ou possession est transférée.

FEDERAL COURT

SOLICITORS OF RECORD

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