

Federal Court



Cour fédérale

Date: 20221212

Docket: T-1667-21

Citation: 2022 FC 1712

Ottawa, Ontario, December 12, 2022

PRESENT: Madam Justice Pallotta

BETWEEN:

SHARAME SHERZADY

Applicant

and

NORTON ROSE FULLBRIGHT CANADA
LLP/S.E.N.C.R.L., S.R.L.

Respondent

JUDGMENT AND REASONS

I. **Introduction**

[1] This is an appeal made pursuant to subsection 56 of the *Trademarks Act*, RSC 1985, c T-13 [TMA]. The applicant, Sharame Sherzady, seeks to overturn a decision of the Registrar of Trademarks (Registrar) expunging trademark registration number TMA866,485 for WATCHFINDER from the Trademarks Register.

[2] Section 45 of the *TMA* provides for a summary procedure that empowers the Registrar to expunge a registration for a trademark that has fallen into disuse: *Miller Thomson LLP v Hilton Worldwide Holding LLP*, 2020 FCA 134 at para 9 [*Hilton Worldwide*]. At the respondent's request, the Registrar issued a section 45 notice for registration number TMA866,485, requiring Mr. Sherzady, as the registered owner, to show that WATCHFINDER was used in Canada between February 27, 2017 and February 27, 2020 (Relevant Period). Mr. Sherzady responded to the notice by furnishing affidavit evidence (2020 Affidavit). A member of the Trademarks Opposition Board considered the matter on behalf of the Registrar, and held that the 2020 Affidavit did not demonstrate use of the trademark in Canada during the Relevant Period with any of the goods or services covered by the registration, or special circumstances that would excuse non-use.

[3] On this appeal, Mr. Sherzady filed another affidavit (2022 Affidavit) with evidence that was not before the Registrar: section 56(5) of the *TMA*. He submits the 2022 Affidavit would have materially affected the Registrar's decision, and that it establishes WATCHFINDER was used in Canada during the Relevant Period.

[4] The respondent did not participate in the appeal.

II. **Standard of Review and Issues**

[5] The standard of review depends on the 2022 Affidavit evidence. In brief, the Court conducts a correctness review, in the nature of a *de novo* appeal, with respect to issues for which there is new evidence that would have affected the Registrar's decision materially: *Hilton*

Worldwide at para 47; *The Clorox Company of Canada, Ltd v Chloretec SEC*, 2020 FCA 76 at para 21 [*Clorox*]; see also *Sea Tow Services International, Inc v Trademark Factory International Inc*, 2021 FC 550 at paras 15 and 17 [*Sea Tow Services*]. Otherwise, the Court reviews the Registrar's decision according to the appellate standard of review set out in *Housen v Nikolaisen*, 2002 SCC 33: *Clorox* at paras 22-23; *Sea Tow Services* at para 18.

[6] For the reasons below, I find the evidence in the 2022 Affidavit would have materially affected the Registrar's decision to expunge registration number TMA866,485, and I will consider this as a *de novo* appeal.

[7] This leads to the next issue, which is whether the evidence establishes that WATCHFINDER was used in Canada with each of the registered goods and services during the Relevant Period, and consequently, whether the registration should be maintained for all goods and services, amended to delete some of them, or expunged.

III. Analysis

A. *Would the additional evidence have affected the Registrar's decision materially?*

[8] Trademark registration number TMA866,485 for WATCHFINDER covers:

Goods

(1) Jewellery, watches, precious metals and gems.

Services

(1) Custom jewellery and watch design.

(2) Buying precious metals and gems.

(3) Watch repairs.

(4) Appraisal of jewellery, watches, precious metals, and gems.

[9] As noted above, the Registrar found that the 2020 Affidavit did not demonstrate use of the trademark in association with any of the registered goods or services during the Relevant Period. The Registrar was left in doubt as to whether any of the evidence pertained to the Relevant Period, and noted other deficiencies in the proof of use as summarized below.

[10] With respect to the registered goods, the Registrar found:

- i. there was no evidence of transfer of the registered goods in the normal course of trade, at any time;
- ii. the 2020 Affidavit provided no statements or supporting evidence of use of the trademark with jewellery, precious metals and gems;
- iii. the evidence of watches displayed on the website watchfinder.ca were third party watches branded with third party trademarks.

[11] With respect to the registered services, the Registrar found:

- i. the 2020 Affidavit did not provide clear statements that the services were offered in Canada in association with the WATCHFINDER trademark during the Relevant Period, or explain how the exhibits evidenced use of the trademark with services;
- ii. Mr. Sherzady sought to benefit from use of the trademark by an Ontario corporation, Watchfinder Yorkville, but the 2020 Affidavit did not demonstrate his control over the character or quality of services offered by the corporation or provide sufficient information to infer such control; apart from a statement that he

founded Watchfinder Yorkville in 1999, there was no evidence of Mr. Sherzady's relationship with the corporation during the Relevant Period.

[12] Mr. Sherzady filed the 2022 Affidavit in order to remedy the deficiencies identified by the Registrar. In this regard, I find that the 2022 Affidavit adds evidence of significance, and it is not merely repetitive of or supplementary to the evidence that was before the Registrar: *Yeung v Taste of BC Fine Foods Ltd*, 2017 FC 299 at para 23, citing *Producteurs Laitiers du Canada v Republic of Cyprus (Ministry of Commerce, Industry & Tourism)*, 2010 FC 719 at para 28, aff'd 2011 FCA 201. The 2022 Affidavit also corrects errors about the corporate entity that operates the Watchfinder business, and provides information about the nature of that company's normal course of trade, the relationship with Mr. Sherzady, and how he exerts control over the goods and services offered and sold by the Watchfinder business. The affidavit is explicit about the material timeframe—that is, it addresses trademark use during the Relevant Period.

[13] The test for materiality is whether the additional evidence would have had a material effect on the decision, not whether it would have changed the Registrar's mind: *Sea Tow Services* at para 16, citing *Scott Paper Ltd v Georgia-Pacific Consumer Products LP*, 2010 FC 478. Had it been before the Registrar, I find the 2022 Affidavit would have affected the Registrar's decision materially. Considering the nature, significance, probative value, and reliability of the new evidence, it would have enhanced or clarified the record in a way that may have influenced the Registrar's findings of fact and exercise of discretion: *Sea Tow Services* at paras 120; *Clorox* at para 21. As a result, I find this Court may “exercise any discretion vested in the Registrar” according to section 56(5) of the *TMA*, as a *de novo* appeal.

B. *Does the evidence establish that WATCHFINDER was used in Canada with each of the registered goods and services during the Relevant Period?*

[14] Section 45 of the *TMA* provides a summary procedure for clearing registrations for trademarks that have fallen into disuse, and has been described as a process for removing “deadwood” from the Register: *Hilton Worldwide* at para 9. This summary procedure is not intended to resolve contentious issues between competing commercial interests that are more appropriately resolved through expungement proceedings under section 57 of the *TMA*: *Ibid.*

[15] The evidentiary burden to establish use in a section 45 proceeding is not a heavy one. The trademark owner’s evidence must only supply facts from which a conclusion of use may flow as a logical inference: *Cosmetic Warriors Limited v Riches, McKenzie & Herbert LLP*, 2019 FCA 48 at para 10. An affidavit or statutory declaration that provides a factual description of the use of the trademark demonstrating that the requirements for use are met will suffice: *Spirits International BV v BCF SENCRL*, 2012 FCA 131 at para 8 [*Spirits International*]. Where a trademark is used by an entity other than the registered owner, use by the entity will have the same effect as use by the owner if the entity uses the trademark under license or with the authority of the owner and the owner has direct or indirect control of the character or quality of the goods or services: subsection 50(1) of the *TMA*; see also *Spirits International* at para 7 and *Clorox* at para 56.

[16] A trademark 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: subsection 4(1) of the *TMA*. A trademark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services: subsection 4(2) of the *TMA*. That said, mere advertising of services in Canada will not constitute use: *Hilton Worldwide* at para 7.

[17] A trademark owner must furnish evidence of use for each of the goods and services specified in a registration: subsections 45(1) and (3) of the *TMA*.

[18] Mr. Sherzady does not argue that the WATCHFINDER registration should be maintained for all of the covered goods and services, as he does not assert the evidence establishes use with “precious metals and gems” or with “buying precious metals and gems”. I find the evidence does not establish use with these goods and services, and the registration should be amended to delete them. In addition, I find the evidence does not establish use with “jewellery” and the registration should be amended accordingly. However, I am satisfied that the WATCHFINDER registration should be maintained for the remaining goods and services.

[19] Before turning to the evidence of use for the remaining goods and services, I will address two of Mr. Sherzady’s points regarding his “burden of proof” or “onus” in these proceedings.

[20] Mr. Sherzady submits that a trademark owner responding to a section 45 notice need not prove use on a balance of probabilities, but merely a *prima facie* case that the trademark is in use or a *prima facie* case that the registration is not deadwood. Further, he states that any ambiguity

in the evidence should be resolved in favour of the trademark owner, so long as doing so would not lower the *prima facie* standard. In support, Mr. Sherzady relies on *Fraser Sea Food Corp v Faskin Martineau Dumoulin LLP*, 2011 FC 893 at paragraphs 14-15 and 19, *Fairweather Ltd v Registrar of Trademarks*, 2006 FC 1248 at paragraph 41 (aff'd 2007 FCA 376), *Diamant Elinor Inc v 88766 Canada Inc*, 2010 FC 1184 at paragraphs 2, 11, 12, *The Black and Decker Corporation v Method Law*, 2016 FC 1109 at paragraph 15, and *McDowell v Laverana GmbH & Co KG*, 2016 FC 1276 at paragraph 23 [*McDowell*].

[21] In my view, the references to “*prima facie* evidence” or “a *prima facie* case” in some of the cases cited above do not set quite as low of a standard as Mr. Sherzady seems to urge. A trademark owner is required to establish the facts from which a conclusion of use may be made, or at least reasonably inferred. For example, where a registration covers an extensive list of goods or services, it may be possible to rely on an inference of use for certain goods or services, if reasonably supported by the facts proven in evidence. The Registrar only receives section 45 evidence tendered by or on behalf of the owner, and the purpose of that evidence is “to inform the Registrar in detail of the situation prevailing with respect to the use of the trade mark so that he, and the Court on appeal, can form an opinion and apply the substantive rules set out in subsection [45(3)]”: *Plough (Canada) Ltd v Aerosol Fillers Inc*, 1980 CanLII 2739 (FCA), [1981] 1 FC 679, 53 CPR (2d) 62. If an owner’s evidence is unclear in respect of an aspect of trademark use, the question is whether it is sufficient to allow a reasonable inference to be drawn.

[22] That said, it is well-established that section 45 proceedings are simple, summary proceedings that are not intended to resolve contentious issues between competing commercial interests. This principle is particularly relevant to whether Mr. Sherzady has adduced sufficient evidence to demonstrate use of the WATCHFINDER trademark in association with watches bearing third party trademarks, which are placed in WATCHFINDER-branded boxes and bags at the time of purchase. A similar issue arose in *McDowell*, a case I return to below.

[23] The Registrar found it was not possible to reasonably infer use of WATCHFINDER with the goods “jewellery” and “watches”, based on the evidence in the 2020 Affidavit. The Registrar noted a number of deficiencies, including the absence of evidence of the owner’s normal course of trade. The Registrar found that the only reasonable inference from the evidence was that third-party watches, branded with other trademarks, had been offered for sale by the Watchfinder business.

[24] Mr. Sherzady submits that the 2022 Affidavit cures the identified deficiencies in the evidence. He states he has now provided a full description of the normal course of trade for the Watchfinder business, which includes selling premium watches and jewellery, as well as evidence that actual sales occurred.

[25] The 2022 Affidavit states that sales of goods and services during the Relevant Period exceeded \$9,000,000, and included sales of watches and jewellery. Representative invoices are attached for watches that were sold during the Relevant Period. No invoices for jewellery sales are attached.

[26] Mr. Sherzady argues that use of a trademark in association with goods is established when a customer can order the goods from a website that displays the trademark, relying on *Baker v Endress+Hauser Group Services AG*, 2021 TMOB 284 and *Fraser Milner Casgrain LLP v LG Electronics Inc*, 2014 TMOB 232. He submits the 2022 Affidavit shows that during the Relevant Period, the Watchfinder business offered jewellery and watches for sale through a website that prominently displayed the WATCHFINDER trademark. However, evidence that jewellery and watches were offered for sale is insufficient to demonstrate use of the WATCHFINDER trademark with those goods, in the absence of any evidence of actual purchases from the websites during the Relevant Period: *JC Penney Co v Gaberdine Clothing Co*, 2001 FCT 1333 at paras 75-76. The 2022 Affidavit does not establish that customers purchased watches or jewellery online during the Relevant Period. The watch receipts attached to the affidavit indicate they were generated from a register, which suggests that these were in-store purchases.

[27] With respect to in-store purchases, the 2022 Affidavit states that at the time of purchase, watches and jewellery purchased at the retail store are provided to customers in bags or boxes that prominently display the WATCHFINDER trademark. The affidavit attaches photographs of representative bags and boxes from the Relevant Period and states that the depicted bags and boxes have been used for customers' purchases throughout the Relevant Period. Mr. Sherzady argues it is clear from subsection 4(1) of the *TMA* that providing goods in packaging such as a bag that bears the trademark constitutes use of the trademark in association with the goods. He relies on this Court's decision in *McDowell* where, according to Mr. Sherzady, the Court "rejected the Registrar's view that placing goods in bags bearing the trademark did not constitute

use in accordance with section 4(1)". Even though the watches sold at the retail store bear third party trademarks, he contends this manner of associating a trademark with goods falls within the ordinary meaning of section 4(1) of the *TMA*, and was accepted as *prima facie* use in *McDowell*.

[28] I am not persuaded that the *McDowell* decision lays down a general principle that evidence of goods placed in packaging bearing a trademark at the time of sale will necessarily constitute sufficient evidence of use of that trademark with the goods for the purposes of a section 45 proceeding. In my view, the answer to that question is a fact-driven exercise that must be decided on a case-by-case basis.

[29] In *McDowell*, the Court noted that the Registrar had made several findings on contentious matters that were unsuited to resolution under the summary process envisaged by section 45, particularly since there was a separate *inter partes* dispute involving a competing trademark of the requesting party. These findings included whether the trademark at issue, HONEY, was in fact marked on the goods themselves, whether HONEY-branded hang tags were essentially price tags that did not distinguish the goods but only the retailer's services, and whether the display of HONEY on shopping bags and boxes, exterior and in-store signage, receipts and other materials gave the requisite notice of association pursuant to s 4(1) of the *TMA*, or constituted use in association with the retail store services only. The Court also noted that the Registrar had found the evidence "ambiguous with respect to whether any of the goods sold at HONEY stores were HONEY goods as opposed to third-party goods" and took issue with the Registrar's statement that this ambiguity must be resolved against the interests of the owner.

[30] In this case, the evidence is that the watches sold at the Watchfinder retail store are third party watches bearing third party trademarks. The images of watches in the retail store and on the website show they are clearly marked with third party trademarks, and the watches listed on the invoices are referred to by the third party brand. This presents a distinction from the facts in *McDowell*.

[31] I note, however, that the Watchfinder business sells pre-owned and new watches. In fact, the representative invoices from 2018 and 2019 appear to be mostly, if not entirely, for pre-owned watches. I also note that the evidence in the 2020 Affidavit, while deficient in a number of respects and of limited value, is consistent with the 2022 Affidavit in that it attaches printouts of social media and website pages describing the Watchfinder business as “pre-owned watch specialists” and stating “our focus has always been the purchase and restoration of fine watches”.

[32] Although pre-owned watches bear the original markings, it may be said that a new connection is created when the watches are re-sold: *Blake, Cassels & Graydon v Mappin & Webb Ltd*, 1999 CarswellNat 3390, [1999] TMOB No 111 at paras 16-19. The Watchfinder business sold pre-owned watches during the Relevant Period in the normal course of trade, packaged at the time of sale in the boxes and bags shown in the 2022 Affidavit that prominently display the WATCHFINDER trademark. The evidence before me is sufficient to support a reasonable inference that the requisite notice of association between watches and the WATCHFINDER trademark was provided to the purchaser at the time of sale: subsection 4(1) of the *TMA*. To be clear, I do not suggest that this would be the outcome if the issue were to come before the Court again, particularly in the context of an *inter partes* dispute. Rather, in light of

the purpose of section 45 proceedings, which are not meant to resolve contentious issues between competing commercial interests, I am satisfied that the evidence supplies the necessary facts to support a logical inference of trademark use in association with watches.

[33] It is unclear from the evidence whether the Watchfinder business sells new or pre-owned jewellery. The evidence does not indicate what type of jewellery was sold during the Relevant Period and no invoices for jewellery sales were provided. It is also unclear whether the jewellery is marked with or distributed in packaging that bears a third party brand—there is no clear statement in this regard in the 2022 Affidavit, and it is not possible to tell one way or the other from the images of jewellery in the evidence. I am not satisfied that the evidence supports a reasonable inference that the WATCHFINDER mark was used by the Watchfinder business in association with jewellery during the Relevant Period.

[34] Mr. Sherzady submits he had direct control over all aspects of the Watchfinder business, and as a result, use of the WATCHFINDER trademark by the business enures to his benefit.

[35] In the 2022 Affidavit, Mr. Sherzady states he was the person who incorporated Watchfinder Cumberland Inc in 2013, and since that time, the Watchfinder business has been operated by this corporation. His 2022 Affidavit attaches copies of the Certificate of Incorporation and Articles of Incorporation. Mr. Sherzady's 2022 Affidavit also states the company uses the WATCHFINDER trademark with his permission, he is authorized to control the day-to-day operations of the business, and he directly controls all aspects of the goods and services offered by the company in connection with the trademark.

[36] I am satisfied that use of the WATCHFINDER trademark in association with watches sold by Watchfinder Cumberland Inc during the Relevant Period enured to the benefit of the trademark owner, Mr. Sherzady: section 50 of the *TMA*.

[37] Turning to services, Mr. Sherzady submits his 2022 Affidavit demonstrates that the Watchfinder business performed the services “custom jewellery and watch design”, “watch repairs” and “appraisal of jewellery, watches, precious metals, and gems” during the Relevant period. He submits that the business used the WATCHFINDER trademark in association with those services.

[38] The 2022 Affidavit indicates that since 2010, the Watchfinder business has operated from a physical retail store in Toronto’s Yorkville neighbourhood (the business has operated at three retail store locations along Cumberland Street in Toronto). It states that the business has offered its services at the retail store since that time. The 2022 Affidavit attaches representative invoices with the customer information redacted, showing service work that was invoiced during the Relevant Period. The affidavit also attaches exhibits showing the WATCHFINDER trademark displayed on exterior signage and on signage inside the store where services are performed (representative of all locations), on brochures and website pages that advertise the services, on invoices, and on bags and boxes that are used to return serviced goods. The 2022 Affidavit confirms that the exhibits are representative of how the trademark has been used and displayed throughout the Relevant Period.

[39] I am satisfied that the evidence shows the Watchfinder business performed each of the services “watch repairs”, “appraisal of jewellery, watches, precious metals, and gems” and “custom jewellery and watch design”, during the Relevant Period. The 2022 Affidavit includes a clear statement that the business made sales of watch repair services and appraisal of jewellery, watches, precious metals and gems during the Relevant Period, and attaches samples of representative invoices for watch repair services performed in 2018 and 2019. The 2022 Affidavit explains how the WATCHFINDER trademark was displayed in the performance or advertising of those services during the Relevant Period—including on interior and exterior store signage, on invoices, and on advertising materials for the services, including brochures and the company website. The evidence of use for “custom jewellery and watch design” services is less definitive, as the advertising materials do not refer specifically to such services, but rather to jewellery repair services and watch repair services. Mr. Sherzady explains in the 2022 Affidavit that the custom design services are an aspect of watch repair services, and the company did make sales of custom design services for watches under repair in the Relevant Period. The affidavit explains that watch repair services include custom design of aspects of the watch, such as a bezel. The Watchfinder business services premium watches, often made with precious metals or gems, and I am satisfied that Mr. Sherzady’s evidence supports a reasonable inference that the WATCHFINDER trademark was used with “custom jewellery and watch design”.

[40] For the same reasons explained above, I am satisfied that use of the WATCHFINDER trademark in association with services performed by Watchfinder Cumberland Inc during the Relevant Period enured to Mr. Sherzady’s benefit.

IV. **Conclusion**

[41] In summary, the appeal is allowed and the Registrar's decision will be set aside. I find the evidence presented on appeal establishes that registration number TMA866,485 should be maintained for:

Goods

(1) Watches.

Services

(1) Custom jewellery and watch design.

(3) Watch repairs.

(4) Appraisal of jewellery, watches, precious metals, and gems.

[42] Registration TMA866,485 shall be amended to delete the goods jewellery, precious metals and gems and to delete the services buying precious metals and gems, as the evidence does not establish trademark use with these goods and services during the Relevant Period.

[43] Since the respondent did not participate in the appeal, Mr. Sherzady does not seek an award of costs.

JUDGMENT in T-1667-21

THIS COURT'S JUDGMENT is that:

1. The appeal is allowed without costs.
2. The Registrar's decision expunging registration number TMA866,485 is set aside.
3. Registration number TMA866,485 shall be amended to delete "jewellery" and "precious metals and gems" from the statement of goods, and "buying precious metals and gems" from the statement of services. Registration number TMA866,485 is otherwise maintained.

"Christine M. Pallotta"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1667-21

STYLE OF CAUSE: SHARAME SHERZADY v NORTON ROSE
FULLBRIGHT CANADA LLP/S.E.N.C.R.L., S.R.L.

PLACE OF HEARING: HELD BY WAY OF VIDEOCONFERENCE

DATE OF HEARING: JUNE 16, 2022

JUDGMENT AND REASONS: PALLOTTA J.

DATED: DECEMBER 12, 2022

APPEARANCES:

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