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Trademark “Use” in the Normal Course of Trade: Revisited

The recent Federal Court of Appeal decision in *Cosmetic Warriors Limited v Riches, McKenzie & Herbert LLP*¹ (“*Cosmetic Warriors*”) revisits what constitutes “use” of a trademark in the normal course of trade.

Knowing what constitutes trademark use is essential to maintain a trademark on the register. While it is often said that “the gravamen of trademark entitlement is actual use”, disputes may arise as to what constitutes use.

The decision in *Cosmetic Warriors* is an appeal of an earlier Federal Court decision. Our remarks regarding the earlier Federal Court decision, and a summary of the facts of the case, can be found [here](#). The Federal Court concluded that selling a t-shirt bearing a trademark, at cost, for promotional purposes to employees was not use of the mark in the normal course of trade and did not satisfy the “use” requirement under sub-s. 4(1) of the *Trade-marks Act*² (the “Act”). Because the trademark owner was unable to furnish satisfactory evidence of use in the normal course of trade when faced with the s. 45 expungement proceedings, the trademark was ordered to be expunged.

¹ 2019 FCA 48

² *Trade-marks Act*, RSC 1985, c T-13.

Actual Profit is not a Prerequisite for Determining Use in the Normal Course of Trade

One of the questions that the Court of Appeal was asked to consider is whether or not the Federal Court's interpretation of use in the normal course of trade should be maintained. The Court of Appeal disagreed with the Federal Court and concluded that sub-s. 4(1) of the Act does not require that trademarked goods be transferred for actual profit to constitute a transfer in the "normal course of trade."³

The Federal Court of Appeal canvassed existing case law on use. None of the case law reviewed by the court interpreted "normal course of trade" to "require the actual making of a profit, as opposed to the pursuit of an ultimate profit-making purpose, through the transfer of the marked goods."⁴

When determining use in the ordinary course of business, historical and trade-specific patterns are included in the assessment. As previously noted by the Federal Court,⁵ use of a trademark is not synonymous with commercial success of the goods associated with the trademark.

The Court of Appeal held that a "strict profit requirement could render sub-s. 4(1) insufficiently flexible to respond to the many different commercial contexts in which it may need to be applied."⁶

In some circumstances, whether or not a transfer of goods yields a profit can be a relevant factor in deciding whether trademark "use" has occurred; however, actual profit is not a prerequisite to such a finding.⁷

The Court of Appeal determined that the Hearing Officer correctly proceeded on the premise that actual profit was not required to

³ *Ibid* at para 22.

⁴ *Ibid* at para 29.

⁵ *JC Penney Co. Inc. v. Gaberdine Clothing Co. Inc.*, 2001 FCT 1333 at para. 91

⁶ *Supra* note 3 at para 23.

⁷ *Ibid* at para 30.

demonstrate “use” of a trademark, and found that the t-shirts sold by Cosmetic Warriors were not *merely* promotional in nature, but formed a “pattern of genuine commercial transactions in the normal course of trade.”⁸ Thus, Cosmetic Warriors was found to have used the trademark even when the profit per t-shirt was a modest \$1.⁹

Conclusion

The decision in *Cosmetic Warriors* holds, at an appellate level, that “actual profit” is not a prerequisite for finding “use” of a trademark under sub-s. 4(1) of the Act. The Court of Appeal’s judgment advances a purposive approach to ensuring that owners may have a basis for demonstrating use of their trademark within unconventional business practices.

The *Cosmetic Warriors* decision also demonstrates the importance of retaining evidence of use of trademarks over time. Good portfolio trademark management does not stop at the registration of the mark – equally important is the process of capturing and retaining evidence of trademark use to ensure trademark rights can be maintained and enforced. Even where use is unconventional in nature, comprehensive records about ways in which trademarks have been used should be retained.

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a cautionary note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

⁸ *Ibid* at 40.

⁹ *Ibid* at 36 and 41.

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