

Federal Court Serves Up Fresh Guidance on The Meaning Of “Use” of a Mark in Association with Restaurant Services

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The Federal Court of Canada decision in *Little Brown Box Pizza, LLC v. DJB*¹ 2024 FC 1592, serves as an important reminder to franchisors that it is crucial to begin use of their trademarks in Canada within 3 years from the date of their trademark registration. While trademark use can be a nuanced concept in Canada, careful planning can help franchisors protect their intellectual property when expanding their business into Canada.

This decision sheds light on whether certain services that are “ancillary” to restaurant services are enough to support a registration covering “restaurant services” themselves. It also provided a concise summary of the law of “special circumstances” to justify non-use of a mark in the context of the COVID-19 pandemic. This decision also provides useful guidance, and guardrails, for trademark owners (and particularly restaurant franchisors) looking to support their Canadian rights to trademarks developed abroad.

Background

This case was an appeal of the Canadian Registrar of Trademarks’ (the Registrar’s) decision (2023 TMOB 5) to expunge the Trademark PIEOLOGY pursuant to section 45 of the *Trademarks Act*, RSC 1985, c-T-13 (the Act). Under section 45, a registered trademark can be vulnerable to summary cancellation for non-use after the third anniversary of registration if its owner cannot demonstrate that the mark has been used in Canada in association with the listed goods and/or services. The onus is on the trademark owner to prove use of the mark when called upon to do so by *anyone*, including a competitor or even the Registrar itself. The Act also contains a “saving” provision in subsection 45(3) where a trademark owner can excuse non-use of a mark if there are special circumstances explaining the non-use during the relevant period.

The trademark PIEOLOGY (Registration number TMA929,431) issued to *Little Brown Box Pizza, LLC* (the Owner) on February 19, 2016, in association with:

1. Pizza parlors; Restaurant services; Restaurant services featuring pizza, salads, side dishes and desserts; Restaurant services, including sit-down service of food and take-out restaurant services; Restaurant services, namely, providing of food and beverages for consumption on and off the premises.
2. Restaurant services; restaurant services, namely, providing of food and beverages for consumption

on and off the premises.

The respondent, DJB, requested the Registrar to issue a section 45 notice requiring the Owner to show that it had used PIEOLOGY in Canada in association with each of the registered services in the three-year period preceding the notice, or alternatively, to show special circumstances that would excuse non-use.

The Owner was not operating PIEOLOGY restaurants in Canada within the relevant three-year period, so the Registrar found that the Owner had not demonstrated either use of the PIEOLOGY trademark or special circumstances excusing non-use. The Owner appealed the decision to the Federal Court.

Noting that the burden to prove use in a section 45 proceeding is not a heavy one, the Federal Court found that the new evidence of the Owner presented on appeal established that the PIEOLOGY trademark should be maintained, but only in association with restaurant services.

Trademark Use

Since the 2019 amendments to the Act, proving or even declaring that a mark is in “use” is no longer a prerequisite to obtaining a trademark registration. However, use remains a crucial aspect of the Canadian trademark regime – the regime is referred to as a “use it or lose it game” thanks to the provisions of section 45.

“Use” is, in turn specifically defined by the Act. Subsection 4(2) of the Act states that 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.”² Mere advertising of services in Canada will not constitute use in association with services. Use in association with services requires that the services must be effectively offered to Canadians or performed in Canada.³

The PIEOLOGY Decision

On appeal, the Owner filed additional evidence to try and address some of the deficiencies noted by the Registrar. This evidence came from the Owner’s chief financial officer, Stephen Ostaszewicz (the Ostaszewicz Affidavit). The Federal Court found that the Ostaszewicz Affidavit provided material new evidence, including evidence that Canadians accessed the Owner’s website and social media sites during the relevant period, and how the brochure provided to potential franchisees amounted to advertising of ancillary or incidental restaurant services. It also addressed the Owner’s difficulties in establishing a restaurant franchise in Canada and the pandemic’s effect on the Owner’s ability to attract Canadian franchisees.

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The Owner submitted that although it was not operating PIEOLOGY restaurants in Canada during the three-year period preceding the section 45 notice, the evidence showed that it had advertised services that are “ancillary” to restaurant services in association with the PIEOLOGY trademark in Canada to Canadians. Regarding the further services covered by the registration, the Owner conceded that it had not used the PIEOLOGY mark in Canada, but there were special circumstances that excused this non-use.

Restaurant Services

The Owner argued that it used the PIEOLOGY trademark in association with ancillary restaurant services in Canada during the relevant period in two ways:

1. By advertising to restaurant franchisees by means of a brochure that was distributed to potential Canadian franchisees and an online website portal for receiving franchise applications and submitting a franchise inquiry form with an option of downloading the brochure; and
2. By providing services to consumers via the PIEOLOGY website and a PIEOLOGY app that was available for download.

In support, the Owner argued that there are two categories of customers: (1) franchisees, and (2) consumers who eat at PIEOLOGY restaurants.

The Court accepted that services should be liberally construed and that “restaurant services” do not necessarily require the operation of a physical restaurant in Canada, but each case must be decided on its own facts.

Franchisees

The Federal Court found that the Owner’s distribution of a brochure to *potential* Canadian franchisees did not amount to use of the PIEOLOGY trademark with ancillary restaurant services. The brochure referred to “operational support” and listed leadership training, safety audits, and operations manuals and videos, among other supporting activities. The Ostaszewicz Affidavit explained that the Owner’s franchisees need these services to operate PIEOLOGY restaurants, but the evidence failed to explain why services that would enable franchisees to operate restaurant locations fell within an ordinary commercial understanding of the term “restaurant services.”

Moreover, the Federal Court stated that the Owner’s evidence showed that the operations support and training were only offered to *actual* franchisees who signed a franchise agreement, and the Owner did not offer these services to members of the Canadian public generally or to *potential* franchisees. As there were no actual Canadian franchisees during the relevant period, no members of the Canadian public received a material benefit from the support services described in the franchise brochure.

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The Federal Court reached a similar decision with respect to the online portal. The website displayed the PIEOLOGY trademark, but the Court held that this did not advertise ancillary restaurant services that were available to be performed in Canada.

Consumers

The Ostaszewicz Affidavit demonstrated that several thousand unique users in Canada visited the PIEOLOGY website during the relevant period, and at least one Canadian downloaded the PIEOLOGY mobile app. Together, the website and mobile app allowed Canadian consumers to review the Owner's menu, look up restaurant locations in the US, pre-plan customized pizzas, save favorite pizzas for future ordering, and receive news about the Owner's latest product offerings.

The Federal Court accepted this as use of the mark in association with "restaurant services." Since "build your own" pizza customization was found to be integral to the Owner's restaurant services model, based on its evidence, and not merely a tangential aspect of its restaurant, the customization option provided an interaction and a service that can be considered akin to visiting a bricks and mortar PIEOLOGY restaurant.

Remaining Services

As noted above, the Owner conceded non-use of the remaining services listed in the registration but claimed that special circumstances excused it.

The Ostaszewicz Affidavit detailed the Owner's challenges involved in expanding into Canada, including failed negotiations with potential franchisees and the COVID-19 pandemic's impact on the restaurant industry and franchisees' willingness to open a restaurant during a public health crisis.

The Court did not accept the Owner's argument that the circumstances described were beyond the Owner's control or that they excused non-use of the PIEOLOGY trademark in Canada with the remaining services. While the Ostaszewicz Affidavit claimed that the Owner's need to find local suppliers and a preference for contracting with larger franchisees who can operate multiple locations are hurdles a restaurant franchisor faces when opening locations outside of its home jurisdiction, these did not amount to special circumstances sufficient to excuse non-use of the PIEOLOGY trademark. In fact, some of these circumstances showed a *preference* of the Owner rather than circumstances beyond its control. The Federal Court also found that the Owner's evidence was not persuasive in explaining why the COVID-19 pandemic constituted a special circumstance in this case. The length of the Owner's non-use of the mark was significant, and the Owner had not provided sufficient evidence to explain its efforts to resume use shortly.

The result was that the PIEOLOGY registration was partially restored, but only in association with "restaurant services."

Key Takeaways

This decision highlights that while the burden to prove use in a section 45 proceeding is not a heavy one, the quality of the evidence provided by the trademark owner is an integral factor in whether the trademark at issue will ultimately be expunged or maintained. Some key takeaways are set out below.

Use Remains Integral to the Canadian Trademark Regime

Businesses operating outside of Canada that plan to expand into the Canadian market should be cognizant of the risk of a section 45 proceeding being commenced as early as three years from the date of registration.

Services Can be Liberally Construed, But Only to a Point

Services that are “ancillary” to registered services *can*, in some cases, support an underlying trademark registration; however, those “ancillary” services must provide a tangible benefit to Canadians during the relevant period. It is therefore crucial to plan ahead to ensure that any registered mark is being used in a manner that *provably* benefits Canadians within the first 3 years following registration.

“Special Circumstances” are the Exception and not the Rule

Canadian caselaw is replete with decisions considering what can constitute “special circumstances” justifying non-use, and the PIEOLOGY decision confirms that this can be a high threshold to meet. Each case is decided on its own facts, and a trademark owner relying on “special circumstances” should make sure that its efforts are clear, consistent, and thorough or risk losing its trademark registration.

¹ *Little Brown Box Pizza, LLC v. DJB*, 2024 FC 1592.

² *Trademarks Act* (R.S.C., 1985, c. T-13) at subsection 4(2).

³ *Little Brown Box Pizza, LLC v. DJB*, 2024 FC 1592 at para 19 citing *Miller Thomson LLP v. Hilton Worldwide Holding LLP*, 2020 FCA 134 at para 7 and *Dollar General Corporation v. 2900319 Canada Inc.*, 2018 FC 778 at para 13.