

# ‘Use’ it or lose it: demystifying trademark use and its impact on your rights

MAY 29, 2025 10 MIN READ



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All businesses employ some form of branding and marketing strategy and will inevitably encounter trademark law. There are few words in Canadian trademark law that carry more weight than “use.” It may appear a deceptively simple word, but an understanding of this fundamental concept is essential to protecting your brand, steering clear of costly conflicts and being well positioned when unavoidable conflicts do arise.

“Use” has long been the driving force behind defining, enforcing and maintaining trademark rights. The importance of understanding and actioning “use” has never been greater, as underscored by recent amendments to the *Trademarks Act*. A detailed overview of these legislative changes is available in our previous [Osler Update](#).

The goal of this Update is to demystify the concept of “use” in Canadian trademark law and to encourage and empower businesses of all stripes to proactively harmonize marketing campaigns and long-term branding and growth objectives with the legal imperative for proper trademark “use.”

When does ‘use’ matter?

As the Supreme Court of Canada observed, “in trade-marks the watchword is ‘use it or lose it’.”<sup>[1]</sup> The question of whether a person has “used” a trademark is frequently relevant, including when

1. **acquiring trademark rights (without registration).** The *Trademarks Act* defines a “trademark” as “a sign or combination of signs that is used or proposed to be used by a person for the purpose of distinguishing or so as to distinguish their goods or services from those of others”. To acquire rights in a trademark (without filing and obtaining a Canadian trademark registration), the trademark must be used by the owner for the purpose of distinguishing their goods or services from those of others.<sup>[2]</sup> Use is a necessary condition for an unregistered trademark to be valid and enforceable as a trademark.<sup>[3]</sup>
2. **obtaining trademark registrations.** Although the 2019 amendments to the *Trademarks*

*Act* removed the historical requirement to declare use before a trademark can be registered, use continues to be relevant to trademark registration. Paragraph 16(1)(a) of the *Trademarks Act* provides that an applicant is not entitled to register a trademark if, at the filing date of the application or the date of first use of the trademark in Canada, whichever is earlier, it was confusing with a trademark that had been previously used in Canada or made known in Canada by any other person.<sup>[4]</sup> Prior use of a confusing trademark by third parties can thus prevent brand owners from obtaining the broader protections afforded by registration. It remains the best practice for businesses to begin using a prospective trademark as early as feasible.

3. **maintaining registered trademarks.** If the owner of a registration ceases to use the registered trademark in Canada, the registration can be expunged (cancelled) for non-use. Cancellation proceedings under section 45 of the *Trademarks Act* can be initiated by any person, upon request and payment of the prescribed fees, against any registration that is at least three years old. If such a proceeding is commenced, the registered owner is required to provide evidence that it has used the registered trademark in association with each of the registered goods and services in Canada (or the specific goods and services being challenged by the requesting party) within the preceding three years. The Registrar of Trademarks may also initiate cancellation proceedings against randomly selected registrations.<sup>[5]</sup> Where evidence of use is insufficient, the registration will be expunged or amended to delete any registered goods or services for which no evidence of use was provided. In addition, a registration can be expunged by the Federal Court if the trademark has been abandoned, including for lack of ongoing use.<sup>[6]</sup>
4. **enforcing trademark rights.** To some degree, use is an issue in virtually all trademark disputes. Depending on the nature of the claims and counterclaims asserted, a plaintiff may need to prove that it has used its asserted trademarks, that the defendant used the allegedly infringing trademark (or one that is confusingly similar), or both.<sup>[7]</sup> “Use” of a trademark is a precondition for infringement, passing off and depreciation of goodwill claims and associated remedies.<sup>[8]</sup> If an infringement or depreciation of goodwill proceeding is brought within the first three years of registration, the trademark owner must prove it has used the trademark in Canada.<sup>[9]</sup>

#### How to ‘use’ a trademark

The Canadian *Trademarks Act* defines “use” separately with respect to goods and services, and it is essential to understand the distinct legal standards that must be met.

Use in association with goods is defined by subsection 4(1) of the *Trademarks Act*:

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 contained, 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.

This gives rise to three key principles for understanding use in association with goods:

1. **Trademark use occurs at the moment the goods are transferred.** Merely advertising goods with a trademark does not qualify as use in association with goods.<sup>[10]</sup> There must be a transfer of the property in or possession of the goods.
2. **The goods must be transferred in the normal course of trade,** through a genuine commercial transaction, requiring some payment or exchange for the goods or in anticipation of securing future orders of the goods.<sup>[11]</sup> Use usually requires a sale of the goods associated with the trademark. For example, the distribution of free giveaways or samples (without any subsequent sales of the same goods on the market) may not qualify as a transfer in the normal course of trade.<sup>[12]</sup> However, actual profit is not strictly required and a transfer for no consideration can in some circumstances qualify as a transfer in the normal course of trade.<sup>[13]</sup>
3. **The trademark must be associated with the goods at the time of transfer,** such that the purchaser is given notice of the association between the trademark and the goods. Such notice may be given by having the trademark (1) marked on the goods; (2) marked on the packaging; or (3) otherwise associated with the goods such that notice of the association is given to the person to whom the goods are transferred. For example, the trademark may be prominently displayed on tags or labels attached to the goods, point-of-sale signage or displays, e-commerce websites or invoices, provided that the purchaser can link the trademark to the goods at the time of sale.

Proving use in association with goods requires evidence that, at a minimum, shows that the associated goods were sold in Canada (e.g., invoices or sales records) and that the trademark was marked on or otherwise associated with the goods at the point of sale (e.g., images of the marked goods or labels). While evidence of a single sale of each registered good can be sufficient to maintain a registration in cancellation proceedings, the evidence required in enforcement proceedings varies depending on the nature of the claims and counterclaims asserted and whether the owner is the plaintiff or the defendant.

A unique feature of Canadian law is that there may be deemed use of a trademark in association with goods *if the trademark is marked on goods that are exported from Canada*.<sup>[14]</sup> This can provide a strategic advantage for manufacturers who ship products abroad from Canadian facilities, since they may maintain Canadian trademark rights even without a domestic market presence. To rely on this provision, the owner must demonstrate that the trademark was marked on the goods or their packaging before export. Therefore, documentary evidence should be retained (e.g., shipping documents, manufacturing records and images of the marked goods or labels).

Use in association with services is defined by subsection 4(2) of the *Trademarks Act*:

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.

The requirements for use in association with services are distinct. Use in association with services is not tied to the time of transfer and a genuine commercial transaction is not a necessary condition for use. The trademark need only be used or displayed in the performance or advertising of the services.

Services associated with a trademark must be performed (or available to be performed) in Canada to constitute use.<sup>[15]</sup> Since services may include primary, incidental and ancillary services, even in circumstances where the primary service is performed outside Canada, the trademark owner may still be able to demonstrate use in association with the service if consumers derive a material benefit from incidental or ancillary services performed in Canada.<sup>[16]</sup> For example, “hotel services” include incidental or ancillary reservation and payment services, such that the performance of these services in Canada was sufficient to find that “hotel services” were performed in Canada, even where the hotel was located outside of Canada.<sup>[17]</sup>

The evidence required to prove use in association with services varies depending on the nature of the services, but typically includes copies of marketing materials, screenshots of the owner’s website, social media or online advertising of the services displaying the trademark, or images showing the trademark displayed on exterior or interior signage where the services are performed. Sales evidence is not strictly necessary but can provide helpful colour.

Use by licensees may be deemed to be used by the licensor trademark owner if certain additional requirements under section 50 of the *Trademarks Act* are also satisfied. The owner of a trademark must have authorized the licensee to use the trademark and have, under the license, direct or indirect control of the character or quality of the goods or services.

#### Key takeaways for businesses

Trademarks are valuable business assets for brand owners. Taking proactive steps to ensure proper trademark use is critical to protecting, maintaining and enforcing trademark rights in Canada. A robust practice to maintain good Canadian “use hygiene” should include the following:

- Ensure trademarks are marked directly on goods or their packaging and/or prominently displayed close to the goods wherever they are sold.
- Trademarks should be prominently displayed in the advertising and performance of services, including (wherever possible) where the services are performed.
- Marketing materials and business records relating to the sale of goods and the performance and advertising of services should be collected and retained, including sales volumes, dated photographs, invoices, shipping documents and screen captures that corroborate continuous use.
- For businesses with a portfolio of registered trademarks, a periodic review should be conducted to confirm that each trademark is still being used with each of the goods and/or services covered by the registration that remain of interest to the business.
- Third-party use of the owner’s trademarks should be subject to a written license agreement containing terms that enable the owner to exercise control over the character and quality of any goods and services sold or performed by the licensee using the trademark, including periodic inspections, and require the licensee to maintain detailed records documenting how the trademark is used.
- Use of third-party trademarks in comparative advertising should be carefully considered to ensure that it does not constitute “use” of the trademark or otherwise infringe the third party’s trademark rights.

For assistance in navigating the nuances of Canadian trademark law and acquiring, enforcing and maintaining trademark rights in Canada, please contact a member of Osler's Intellectual Property group.

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[1] *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, at para. 5

[2] *Nissan Canada Inc. v. BMW Canada Inc.*, 2007 FCA 255, at para. 16.

[3] *Sandhu Singh Hamdard Trust v. Navsun Holdings Ltd.*, 2019 FCA 295, at para. 39.

[4] *Trademarks Act*, s. 16(1)(a).

[5] For more information, see our [Osler Update](#) outlining a pilot project under which the Registrar of Trademarks will initiate cancellation proceedings on its own initiative against randomly selected trademark registrations.

[6] *Trademarks Act*, RSC 1985, c. T-13, ss. 18(1)(c) and 57.

[7] *Marlboro Canada Limited v. Philip Morris Products S.A.*, 2012 FCA 201, at para. 49.; *Positive Attitude Safety System Inc. v. Albion Sands Energy Inc. (F.C.A.)*, 2005 FCA 332, at para. 33.

[8] *Red Label Vacations Inc v. 411 Travel Buys Limited*, 2015 FCA 290, at paras. 20–22.

[9] *Trademarks Act*, RSC 1985, c. T-13, s. 53.2(1.1).

[10] *Loblaws Inc v Columbia Insurance Company*, 2019 FC 961, at para. 131, aff'd 2021 FCA 29.

[11] *Distrimed Inc. v. Dispill Inc.*, 2013 FC 1043, at para. 302.

[12] *Cordon Bleu International Ltd. v. Renaud Cointreau & Cie.*, [2000] FCJ No 1414 (QL); *Distrimed Inc. v. Dispill Inc.*, 2013 FC 1043 at paras. 302–303.

[13] See *Cosmetic Warriors Limited v. Riches, McKenzie & Herbert LLP*, 2019 FCA 48, at paras. 18–30.

[14] *Trademarks Act*, RSC 1985, c. T-13, s. 4(3).

[15] *Miller Thomson LLP v. Hilton Worldwide Holding LLP*, 2020 FCA 134, at para. 7.

[16] *Miller Thomson LLP v. Hilton Worldwide Holding LLP*, 2020 FCA 134, at para. 152.

[17] *Miller Thomson LLP v. Hilton Worldwide Holding LLP*, 2020 FCA 134.