

Date: 20060426

Docket: T-759-05

Citation: 2006 FC 520

Ottawa, Ontario, April 26, 2006

PRESENT: The Honourable Mr. Justice Mosley

BETWEEN:

SPIRITS INTERNATIONAL N.V.

Applicant

and

THE REGISTRAR OF TRADE-MARKS

and

SC PRODAL 94 SRL

Respondents

REASONS FOR ORDER AND ORDER

[1] This is an appeal by Spirits International N.V., pursuant to section 56 of the *Trade-marks Act*, R.S.C. 1985, c. T-13 (the “Act”), from the decision of the Registrar of Trade-marks dated February 25, 2005 maintaining Canadian Trade-mark Registration No. TMA 501,347, STALINSKAYA, on the trade-mark register. Pursuant to Rules 61 (2) and 300 of the *Federal Court Rules*, 1998, the appeal is brought as an application.

[2] The applicant, Spirits International N.V. (“SPI”) is a Netherlands Antilles corporation which owns the STOLICHNAYA family of registered trade-marks.

[3] The respondent in these proceedings, SC Prodal 94 SLR (“SCP”), is a Romanian company which applied to register the trade-mark STALINSKAYA on March 27, 1997 in association with distilled beverages, namely vodka, based on use and registration of this mark in its country of origin, Romania. The trade-mark was registered under TMA 501,347 (the “Trade-mark”) on September 28, 1998.

[4] On March 28, 2002, upon receipt of a written request in accordance with s.45 of the Act, the Registrar of Trade-marks forwarded a notice to SCP requiring the registrant to furnish an affidavit or a statutory declaration showing whether the trade-mark was in use in Canada at any time during the three year period immediately preceding the date of the notice and, if not, the date when it was last so in use and the reason for the absence of such use since that date. In response and upon an extension of time being granted in order to obtain information from Europe, the registrant submitted the affidavit of Ioana-Claudia Marin (the “Marin affidavit”), sworn on September 19, 2002. Ms. Marin identified herself as the Brand Manager for the registrant, SCP.

[5] In her affidavit, Ms. Marin admits that the Trade-mark is not currently in use in Canada and that it has never been in use in Canada. Ms. Marin outlines what she believes are special circumstances that excuse the absence of use. She states that SCP was told during informal and formal contacts with Laval Laurentides Communications Import Export (a marketing agency hired

by SCP in January 2001) and the Société des Alcools du Québec (the “SAQ”) that an ISO 9001 certification and attractive packaging are required to sell its products in Canada.

[6] Ms. Marin states that the delay caused by seeking an ISO 9001 certification, filed for in December 1999 and received December 4, 2000 and June 21, 2001 for its process and product respectively, has prevented the Registrant from entering the Canadian market. In addition, the requirement for a more attractively designed label for the product was an impediment, according to Ms. Marin, for entry into the Canadian market. Design work was commissioned on February 16, 1999.

[7] According to the applicant, there is no evidence that this design work and the resulting new labels (received in May 2000) were specific to the Canadian market.

[8] Ms. Marin’s affidavit states that the registrant has begun to arrange for the distribution of its products in Canada. In support of this assertion, Ms. Marin states that the Registrant has commenced procedures for registration with the SAQ. The extent of these efforts is evidenced by an incomplete SAQ application form for authorization to sell vodka as a gift presentation.

[9] Following the submission of the Marin affidavit, the Requesting Party and the Registrant submitted written arguments and attended an oral hearing before the Registrar.

[10] The Requesting Party in these s.45 proceedings was the patent and trade-mark agency, Marks & Clerk. As a consequence of the correction of a clerical error in the identity of the

requesting party and a subsequent transmission of interest from the Requesting Party to the applicant, this appeal now stands in the name of the applicant, SPI.

[11] In her decision, dated February 25, 2005, the Registrar of Trade-marks maintained registration No. 501,347 and ordered the issuance of a second section 45 Notice.

[12] In her decision the Registrar found that the STALINSKAYA trade-mark is not “deadwood.” In making this finding she identified a number of steps taken by SCP which in her view constituted continuous Canadian market activity, including market research, packaging and improvement in the product presentation, updating the product and bottling technology, relations with a Canadian marketing agency and the SAQ.

[13] On the question of excusable non-use, the Registrar applied the three-prong test set out in *Registrar of Trademarks v. Harris Knitting Mills Ltd* (1985), 60 N.R. 380 , 4 C.P.R. (3d) 488 (F.C.A) [*Harris Knitting*], finding that SCP showed excusable non-use during the three year period preceding the issuance of the s. 45 Notice. Under the *Harris Knitting* test, the criteria to be considered include: (1) the length of time during which the mark has not been in use; (2) whether the reasons for non-use are beyond the control of the registered owner; and (3) whether there exists a serious intention to shortly resume use.

Issues

[14] This application for judicial review raises the following issues:

1. What is the appropriate standard of review of the Registrar’s decision?

2. Did the Registrar err in law in misapprehending the s. 45 burden of proof by lowering the evidentiary threshold, requiring on a balance of probabilities to show special circumstances excusing non-use?
3. Did the Registrar commit an error of law in making a finding of fact in the absence of evidence?
4. Are the Registrar's reasons supporting the impugned decision unreasonable or untenable?

Standard of Review

[15] On appeal under s.56 of the Act, where no new evidence is filed, the task of the Court is not to reassess the evidence or second guess the hearing officer, but rather to consider whether the conclusion based on the evidence is unreasonable: *Purafil Inc. v. Purafil Canada Ltd.* (2004), 31 C.P.R. (4th) 345, 2004 FC 522 at para. 10. Where there is new evidence before the applications judge, the standard of review is correctness, where no additional evidence has been filed, the standard is reasonableness *simpliciter*, that is, was the Registrar “clearly wrong”: *AstraZeneca AB v. Novopharm Ltd.*, [2002] 2 F.C. 148, 2001 FCA 296 at paras. 25-33; *Molson Breweries v. John Labatt Ltd.* (2000), 5 C.P.R. (4th) 180 at 196, [2000] 3 F.C. 145 (F.C.A.).

[16] Reasonableness *simpliciter* means that a decision will be unreasonable only if there is no line of analysis within the given reasons that could reasonably lead the tribunal from the evidence before it to the conclusion at which it arrives. Even if some parts of the reasoning are erroneous, if the result is still correct, the decision cannot be considered unreasonable: *Wrangler Apparel Corp. v. Timberland Co.*, (2005) 41 C.P.R. (4th) 223 , 2005 FC 722 at paras. 12-31.

[17] In this case the applicant has not adduced any new evidence therefore the standard of review is reasonableness *simpliciter*.

Burden of Proof Under Section 45

[18] To establish the burden of proof on a Registrant under section 45, the applicant relies on statements of the Federal Court of Appeal in *Plough (Canada) Ltd. v. Aerosol Fillers Inc.*, [1981] 1 F.C. 679, (1980), 53 C.P.R. (2d) 62 at 66. In that case the Court held that under s. 44 [now s.45], the registered owner must “inform the Registrar in detail of the situation prevailing with respect to the use of the trade-mark [or the special circumstance justifying non-use] so that he [the Registrar], and the Court on appeal, can form an opinion and apply the substantive rule set out in s-s. 44(3) [now 45(3)]”

[19] In the case at bar, the applicant says the onus was on the Registrant but it did not meet the evidentiary standard required to satisfy the onus. The Registrar has implicitly acknowledged the inadequacy of the evidence provided in recognizing that the Registrant did not explain in detail the basis of its evidence about anticipated sales in Canada, and by requiring additional evidence through the means of a further s. 45 Notice,. The applicant contends that if the evidence had been adequate the Registrar would not have required further evidence.

[20] The applicant submits that in view of this finding that the Registrant’s evidence was inadequate, the Registrar was bound to expunge the mark. The Registrar lacked jurisdiction to lower the evidential threshold. Furthermore, the Registrar erred in concluding that the Registrant met the evidentiary burden by showing that it understood, rightly or wrongly, that ISO 9001 certification was a prerequisite to sales in Canada.

[21] The respondent submits that the argument that the issuing of a second s. 45 notice lowered the evidentiary threshold overlooks the evidence before the Registrar including evidence of SCP's firm intention to commence using the trade-mark in Canada and SCP's continuous Canadian market activity. Such active steps are an indication of the respondent's intention to use STALINSKAYA in Canada.

[22] The Registrar took into account the fact that the respondent is a foreign manufacturer located in Romania and would not necessarily be familiar with Canadian conditions, as she explained, in detail, how the present case was different than that of *Re Goldwell Ltd.*, (1974), 29 C.P.R. (2d) 110 at 111 (T.M.O.B.). In that regard, a foreign company would be expected to rely upon local advice including whether ISO certification was a prerequisite to entering the market. A registrant's misunderstanding of a legal requirement can excuse non-use: *Playboy Enterprises Inc. v. German*, [1988] 1 F.C. 163, (1987), 13 F.T.R. 183 (F.C.T.D.) [*Playboy*].

[23] The respondent submits that excessive evidence is not required to demonstrate excusable non-use: *Cassels Brock & Blackwell LLP v. Registrar of Trade-marks et al* (2004), 253 F.T.R. 311, 2004 FC 753. There have been cases where registrations were maintained, notwithstanding that the evidence on certain points was recognized by the Court to be insufficient: *Ridout & Maybee v. Sealy Canada Ltd.*, (1999) 171 F.T.R. 79, (1999), 87 C.P.R. (3d) 307 (F.C.T.D.); *Baker & Mackenzie v. Garfield's Fashions Ltd.*, (1994), 52 C.P.R. (3d) 274 (T.M.O.B.) [*Baker & Mackenzie*]. In light of the evidence adduced by SCP concerning its continuous Canadian market activity and the particular circumstances of SCP's demonstrated belief, SCP has met its burden of proof on this point and the Registrar did not lower the evidentiary threshold.

[24] A synopsis of proceedings under s. 45 of the Act was provided by Mr. Justice Richard (as he was then) in *Osler, Hoskin & Harcourt v. Canada (Registrar of Trade Marks)* (1997), 139 F.T.R. 64, 77 C.P.R. (3d) 475 (F.C.T.D.):

¶ 16 Section 45 is intended to be a simple, summary and expeditious procedure for cleaning up the trade-mark register of trade marks that have fallen into disuse. It is designed to clear the dead wood from the register, not to resolve issues in contention between competing commercial interests, which should be resolved in expungement proceedings under section 57.[...]

¶ 18 Section 45 does not contemplate a determination on the issue of abandonment, but is merely a summary procedure whereby the registered owner of a mark is required to provide either some evidence of use in Canada or evidence of special circumstances that excuse the absence of use. *Anheuser- Busch, Inc. v. Carling O'Keefe Breweries of Canada Ltd.* (1982), 69 C.P.R. (2d) 136 (F.C.A.) at 142.

¶ 20 Subsection 45(1) of the Act directs an inquiry as to whether the trade- mark was in use in Canada at any time during the relevant period.

¶ 21 However, a bald assertion of use will be insufficient. The affidavit materials filed in response to a section 45 notice from the Registrar need only supply facts from which, on balance, a conclusion of use may follow as a logical inference.

[25] The question before the Registrar in this case was whether special circumstances had been made out excusing non-use of the trade-mark. When applying the three-part test as set out in *Harris Knitting*, the burden of proof on the Registrant is not excessive. The burden of proof for the Registrant to establish the case for maintaining registration of the mark is relatively low: *Cassels*,

Brock & Blackwell LLP v. Canada (Registrar of Trade-marks) (2004), 253 F.T.R. 311, 2004 FC 753 at para. 23; *House of Kwong Sang Hong International Ltd. v. Borden Ladner Gervais* (2004), 251 F.T.R. 208, 2004 FC 554 at para. 36. In this case the Registrar was satisfied that the Registrant had met that burden and I see no reason to interfere with that conclusion.

Finding of fact absent evidence

[26] The applicant submits that in the case at bar, there was no evidence before the Registrar which established that the ISO 9001 certification is a listing requirement with the SAQ and even if it were, that such a requirement was unusual, uncommon and exceptional to vodka suppliers seeking to list their product with the SAQ. In concluding that special circumstances excusing non-use existed, the Registrar made a finding of fact, without any evidence, that the ISO 9001 certification requirements were unusual, uncommon and exceptional to vodka suppliers seeking to list with the SAQ, which is a reviewable error of law.

[27] The respondent submits that there was evidence before the Registrar, to which she specifically referred, that the ISO certification was indicated to SCP by Laval Laurentides Communications Import Export and the SAQ itself as being a requirement. There are precedents not only for a legal requirement constituting an excuse for non-use, but also for a belief, even a mistaken belief, in such a requirement constituting an excuse for non-use: *Playboy*, above.

[28] The applicant contends that there was absolutely no evidence that, even if ISO 9001 certification is a listing requirement with the SAQ, that this requirement is unusual, uncommon and

exceptional to vodka suppliers seeking to list their products with the SAQ. The respondent submits that the argument that there was no evidence fails because there was evidence referred to by the Registrar of the special circumstances of SCP including: (i) updating its technology; (ii) obtaining ISO 9001 certification; and (iii) making its packaging more attractive.

[29] These special circumstances can be considered unusual, uncommon or exceptional by virtue of the fact that they arise at the initial stage of launching a product in Canada by a company located in a foreign and emerging country, and, implicitly, unfamiliar with Canadian legal requirements and business practices. There is authority which supports these circumstances as being special: *Oyen Wiggs Green & Mutala v. Pauma Pacific Inc. et al.* (1997), 76 C.P.R. (3d) 48, [1997] F.C.J. No. 1126 (QL) (F.C.T.D.) [*Oyen Wiggs*], affirmed *Oyen Wiggs Green & Mutala v. Pauma Pacific Inc. et al.* (1999), 84 C.P.R. (3d) 287, [1999] F.C.J. No. 139 (QL) (F.C.A.) [*Oyen Wiggs (FCA)*]; *Baker & Mackenzie*, above; *Dubuc v. Montana* (1992), 38 C.P.R. (3d) 88.

[30] While a finding of fact absent evidence is a reviewable error of law, I would agree with the respondent in this case that the Registrar had evidence before her, to which she referred when determining that one of the special circumstances justifying non-use was the ISO 9001 certification process. There is a statement in the Marin affidavit that during their formal and informal dealings with the marketing agency, the respondent became aware of the certification requirement as a pre-requisite to selling vodka in the Canadian market (see Applicant's Record at 20). As well, the documentary evidence shows that the respondent applied for such certification and engaged a number of suppliers regarding upgrades required for the certification.

[31] The finding of fact by the Registrar was not a finding that the ISO 9001 certification was required, but that the Registrant believed that it was required. This belief is what led to non-use of the trade-mark. The Registrar then concluded that there were special circumstances justifying non-use and refused to expunge the mark.

[32] The meaning of the words "special circumstances" as used in s. 45(3) was considered in *John Labatt Ltd. v. The Cotton Club Bottling Co.* (1976), 25 C.P.R. (2d) 115 (F.C.T.D). It was held that special circumstances were those affecting the individual trader and not necessarily all traders and that the circumstances which are "special" are those being peculiar or abnormal and which are the result of external forces as distinct from voluntary acts of the trader. (See also *Burroughs Wellcom Inc. v. Kirby Shapiro Eades & Cohen*, (1983) 73 C.P.R. (2d) 13 (F.C.T.D.)).

[33] Based on the above, I would agree with the respondent that the special circumstances do not have to apply to all businesses in the same position as the Registrant. The Registrar was entitled to find that the ISO 9001 certification requirement was the result of external forces and not a voluntary decision made by the Registrant. The Registrar's finding in this regard is reasonable, and the finding of special circumstances is supported by the evidence before her.

[34] The finding of special circumstances is also consistent with the considerations set out by Pratte J.A. in *Harris Knitting*, that the reason for non-use cannot be a voluntary one on the part of the registered owner. Non-use must be beyond the control of the owner. In this case, the Registrant believed that an ISO 9001 certification was required by the SAQ and that factor was outside the

control of the Registrant. This finding was not made in the absence of evidence and is therefore reasonable.

Unreasonable or untenable reasons

[35] The applicant submits that the three conditions articulated by Justice Carolyn Layden-Stevenson in *NTD Apparel Inc. v. Ryan* (2003), 236 F.T.R. 87, 2003 FCT 780 (F.C.T.D.) [*NTD Apparel*] are necessary to establish special circumstances excusing non-use. As stated by Justice Layden-Stevenson:

¶ 19 A determination of whether there are special circumstances excusing non-use involves consideration of three criteria. The first is the length of time during which the mark has not been in use. The second is whether the reasons for non-use were beyond the control of the registered owner and the third is whether there exists a serious intention to shortly resume use: Registrar of Trade-marks v. Harris Knitting Mills Ltd. (1985), 60 N.R. 380, 4 C.P.R. (3d) 488 (F.C.A.).

[36] With regard to the first factor, the length of time during which the mark has not been in use, the applicant submits that the trade-mark was registered on September 28, 1998 and has never been used in Canada. Thus, on March 28, 2002 (the date of the section 45 Notice), the period of non-use was approximately 3 years and 6 months. In *NTD Apparel*, above, at para. 21 Justice Layden-Stevenson found: “the period of non-use was approximately 3 years and 5 months. This is a significant length of time.” Taking into consideration the three-year limitation imposed by the Act and the Court’s finding in *NTD Apparel*, the applicant submits it is not rational for the Registrar to rule otherwise.

[37] Furthermore, even if the period of non-use were calculated from June 21, 2001 (the date of the ISO 9001 certification), the period of approximately 1 year and 4 months is a significant period for non-use, particularly since the evidence discloses that as of September 19, 2002, the Registrant had still not completed and filed any documentation with the SAQ.

[38] With regard to the second factor, the applicant claims that in order to satisfy the requirement of special circumstances beyond its control, the Registrant must establish that its alleged impediment is peculiar and abnormal to that which is ordinarily experienced by persons engaged in the vodka trade in Québec. It cannot be said that satisfying listing requirements with the SAQ is an unusual, uncommon or exceptional situation. It is a common requirement that all liquor suppliers meet the SAQ's listing requirements in order to sell their product in the province. The Registrant failed to do so in a timely manner.

[39] Similarly, the decision to give the product a more attractive presentation is not an unusual, uncommon or exceptional activity: *John Labatt*, above, at 123. Every business undergoes such a process. Thus, any delay encountered as a result of this factor does not constitute special circumstances excusing non-use.

[40] The applicant contends that the Registrant's decisions to hire a marketing agency, not to establish direct contact with the SAQ and not to make any additional inquiries and to only consider listing its product with the SAQ in Canada are all voluntary and particular to the Registrant. The Registrant has not established that the alleged ISO 9001 certification requirements were exceptional,

onerous and unique to the Registrant as a potential vodka supplier with the SAQ. The Registrant's evidence, the applicant contends, thus fails to meet the minimum evidentiary requirement.

[41] The third factor is the existence of a serious intention to shortly resume use. The applicant submits that the Registrant's alleged efforts to commence use are unsubstantiated. There are no steps to show that use of the trade-mark will commence shortly. The Registrant does not inform the Registrar concerning the probability of the product offer to the SAQ being accepted nor of the reasons it is still outstanding or why no attempt to list was presented to other provincial liquor agencies in the last three years.

[42] Under the three-part test the applicant contends that once the Registrar reaches a conclusion that a part of the test has not been met, special circumstances excusing non-use cannot exist. According to the applicant, the Registrar clearly erred in concluding that the Registrant's evidence constituted special circumstances justifying non-use.

[43] The respondent submits that the period of non-use is not so significant as to be inexcusable. The determination of the significance of a given length of time is to be assessed having regard to the circumstances of each case: *Boutiques Progolf Inc. v. Marks & Clerk* (1993), 54 C.P.R. (3d) 451, 164 N.R. 264 (F.C.A.). Each case turns on its own facts.

[44] The respondent submits that the period of non-use should be calculated from the date of the ISO 9001 certification (June 14, 2001) for a period of non-use of 1 year and 4 months, rather than the date of registration of STALINSKAYA (September 28, 1998) for a period of non-use of 3 years

and 6 months. However, even if the Registrar should have considered a longer period of non-use commencing as of the date of the registration of the trade-mark, the period of non-use, having regard to all the circumstances of the case would not be inexcusably long. Any error by the Registrar in calculating the period of non-use would not be material.

[45] With regard to whether the time spent on packaging redesign is an acceptable special circumstance, the respondent cites recent jurisprudence from this Court whereby the operations of redesign of packaging of a product and time taken to carefully develop a product were considered or indicated by the Court to be special circumstances excusing non-use: *Oyen Wiggs*, above; *Oyen Wiggs (FCA)*, above; *McFadden, Finchman, Marcus & Allen v. Canada (Registrar of Trade-marks)* (1990), 38 F.T.R. 48 , 34 C.P.R. (3d) 70 (F.C.T.D.).

[46] The test for special circumstances as articulated in *Harris Knitting*, does not state that the reasons for non-use must be unusual, uncommon or exceptional. The test states that the consideration is whether the reasons for non-use were beyond the control of the registered owner. As held in *Ridout & Maybee*, the circumstances of non-use must be those which do not exist in the majority of cases involving non-use.

[47] I think it was open to the Registrar to conclude that in this case and during the time-period under consideration, which I find runs from the date of registration, the reasons for non-use were beyond the control of the registered owner and do not exist in the majority of other non-use situations. It was reasonable to conclude that a vodka distiller from an emerging nation would be unfamiliar with Canadian alcohol distribution requirements and would rely on marketing advice

from a local firm with regard to product quality and promotional standards. The belief that ISO certification was a prerequisite was not unreasonable, even in the absence of direct evidence that it was necessary. One might expect distributors and consumers of the product to take some comfort from the standards such certification implies.

[48] While the Marin affidavit lacked detail and specificity, it provided sufficient evidence, in my view, for the Registrar to conclude that the Registrant had met the test for excusable non-use of the trade-mark. Accordingly, overall I find the decision to have been reasonable and this appeal must be dismissed

ORDER

THIS COURT ORDERS that the appeal is dismissed with costs to the respondent SC Prodal 94 SLR.

“Richard G. Mosley”

Judge

FEDERAL COURT

NAME OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: T-759-05

STYLE OF CAUSE: SPIRITS INTERNATIONAL N.V.
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