

## MISUNDERSTANDING OF A LEGAL REQUIREMENT CAN CONSTITUTE EXCUSABLE NON-USE, FEDERAL COURT OF CANADA RULES

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In an interesting decision regarding evidence of use during summary expungement proceedings under section 45 of the *Trade-marks Act*, R.S.C. 1985, c. T-13 (hereafter: the "Act"), the Federal Court of Canada upheld the Registrar's decision to maintain the Registrant's trade-mark STALINSKAYA in association with vodka, after concluding that the Registrant had met the test for excusable non-use of a trade-mark (*Spirits International N.V. v. The Registrar of Trade-marks and SC Prodal 94 SRL*, 2006 FC 520 (FC, Mosley, J., April 26<sup>th</sup>, 2006) ).

Section 45 is the Act's "use it or lose it" provision which permits the Registrar of Trade-marks to expunge trade-mark registrations which are not in use by way of an administrative proceeding. Following a request made by any third party, the Registrar will issue a notice requiring that an owner show use of its registered trade-mark or justify its non-use, failing which such mark will be expunged.

The respondent in these proceedings, SC Prodal 94 SRL (hereinafter : "SCP"), is a Romanian company which applied to register the trade-mark STALINSKAYA on March 27, 1997 in association with vodka, based on use and registration of this mark in its country of origin, Romania. The trade-mark was registered under TMA 501,347 on September 28, 1998.

### ***The Section 45 proceeding***

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On March 28, 2002, 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*.

SCP submitted the affidavit of Ioana-Claudia Marin, the brand manager for SCP. In her affidavit, Ms. Marin admitted that the trade-mark STALINSKAYA was not currently in use in Canada and that it had never been in use in Canada. However, she proceeded to explain what she believed were special circumstances that excused the absence of use: SCP was told during informal and formal contacts with 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 were required to sell its products in Canada. According to Ms. Marin, the delay caused by seeking an ISO 9001 certification had prevented the SCP from entering the Canadian market and that the requirement for a more attractively designed label for the product was an impediment for entry into the Canadian market.

### ***The Registrar's decision***

In her decision of February 25<sup>th</sup>, 2006, the Registrar ruled that the STALINSKAYA trade-mark was not "deadwood." In making its finding, the Registrar identified a number of steps taken by SCP which, in her view, constituted continuous Canadian market activity : (i) market research, packaging and improvement in the product presentation, (ii) updating the product and bottling technology, (iii) relations with a Canadian marketing agency and the SAQ.

### ***Test for excusable non-use***

The Registrar applied the three-prong test set out in the Federal Court of Appeal 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*) :

- (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.

The Court reiterated that the test for special circumstances as articulated in *Harris Knitting* did not state that the reasons for non-use must be unusual,

uncommon or exceptional but rather they should be beyond the control of the Registrant.

In considering the three elements of the test and dismissing the appeal, the Court ruled that the reasons of non-use advanced by SCP were beyond its control and that 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. As for the belief that ISO certification was a prerequisite, the Court also considered this element to be reasonable and stated that 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 and proceeded to dismiss the appeal.

## Conclusion

This case resonates with the well established principal that excessive evidence is not required to demonstrate excusable non-use and that the burden of proof on a Registrant is relatively low. Most importantly, the meaning of "special circumstances" under the Act are those affecting the individual trader in question and not necessarily all traders; a Registrant's reasons to justify non-use do not have to apply to all businesses in the same position as the Registrant. As a result, the Court reminds us that the determination as to what constitutes excusable non-use is carried out having regard to the circumstances of each case which turns on its own facts.



