

Federal Court of Appeal



Cour d'appel fédérale

Date: 20120427

Docket: A-357-11

Citation: 2012 FCA 131

**CORAM: EVANS J.A.
SHARLOW J.A.
DAWSON J.A.**

BETWEEN:

SPIRITS INTERNATIONAL B.V.

Appellant

and

**BCF S.E.N.C.R.L. and
REGISTRAR OF TRADE-MARKS**

Respondents

Heard at Toronto, Ontario, on March 26, 2012.

Judgment delivered at Ottawa, Ontario, on April 27, 2012.

REASONS FOR JUDGMENT BY:

SHARLOW J.A.

CONCURRED IN BY:

**EVANS J.A.
DAWSON J.A.**



Date: 20120427

Docket: A-357-11

Citation: 2012 FCA 131

**CORAM: EVANS J.A.
SHARLOW J.A.
DAWSON J.A.**

BETWEEN:

SPIRITS INTERNATIONAL B.V.

Appellant

and

**BCF S.E.N.C.R.L. and
REGISTRAR OF TRADE-MARKS**

Respondents

REASONS FOR JUDGMENT

SHARLOW J.A.

[1] On June 18, 2008, at the request of the respondent BCF s.e.n.c.r.l. (“BCF”), the Registrar of Trade-Marks sent a notice to the appellant Spirits International B.V. (“Spirits BV”) pursuant to subsection 45(1) of the *Trade-Marks Act*, R.S.C. 1985, c. T-13. The notice required Spirits BV to show that its trade-mark MOSKOVSKAYA RUSSIAN VODKA & Design (Trade-Mark Registration TMA 208,808) had been used in Canada in association with vodka within the previous three years.

[2] Spirits BV responded with two affidavits. The affidavits were considered by P. Fung, a Hearing Officer of the Trade-Marks Opposition Board, who concluded that the evidence was not sufficient to show the required use. The decision of the Registrar was to expunge the trade-mark (2010 TMOB 122).

[3] Spirits BV appealed to the Federal Court pursuant to section 56 of the *Trade-Marks Act*, and submitted an additional affidavit. Justice Scott dismissed the appeal (2011 FC 805). Spirits BV now appeals to this Court. For the reasons that follow, I have concluded that the appeal should be allowed.

Statutory framework

[4] This case involves a proceeding under subsection 45 of the *Trade-Marks Act*, which reads in relevant part as follows:

45. (1) The Registrar may at any time and, at the written request made after three years from the date of the registration of a trade-mark by any person who pays the prescribed fee shall, unless the Registrar sees good reason to the contrary, give notice to the registered owner of the trade-mark requiring the registered owner to furnish within three months an affidavit or a statutory declaration showing, with respect to each of the wares or services specified in the registration, 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

45. (1) Le registraire peut, et doit sur demande écrite présentée après trois années à compter de la date de l'enregistrement d'une marque de commerce, par une personne qui verse les droits prescrits, à moins qu'il ne voie une raison valable à l'effet contraire, donner au propriétaire inscrit un avis lui enjoignant de fournir, dans les trois mois, un affidavit ou une déclaration solennelle indiquant, à l'égard de chacune des marchandises ou de chacun des services que spécifie l'enregistrement, si la marque de commerce a été employée au Canada à un moment quelconque au cours des trois ans

last so in use and the reason for the absence of such use since that date.

(2) The Registrar shall not receive any evidence other than the affidavit or statutory declaration, but may hear representations made by or on behalf of the registered owner of the trade-mark or by or on behalf of the person at whose request the notice was given.

(3) Where, by reason of the evidence furnished to the Registrar or the failure to furnish any evidence, it appears to the Registrar that a trade-mark, either with respect to all of the wares or services specified in the registration or with respect to any of those wares or services, was not used in Canada at any time during the three year period immediately preceding the date of the notice and that the absence of use has not been due to special circumstances that excuse the absence of use, the registration of the trade-mark is liable to be expunged or amended accordingly.

précédant la date de l'avis et, dans la négative, la date où elle a été ainsi employée en dernier lieu et la raison de son défaut d'emploi depuis cette date.

(2) Le registraire ne peut recevoir aucune preuve autre que cet affidavit ou cette déclaration solennelle, mais il peut entendre des représentations faites par le propriétaire inscrit de la marque de commerce ou pour celui-ci ou par la personne à la demande de qui l'avis a été donné ou pour celle-ci.

(3) Lorsqu'il apparaît au registraire, en raison de la preuve qui lui est fournie ou du défaut de fournir une telle preuve, que la marque de commerce, soit à l'égard de la totalité des marchandises ou services spécifiés dans l'enregistrement, soit à l'égard de l'une de ces marchandises ou de l'un de ces services, n'a été employée au Canada à aucun moment au cours des trois ans précédant la date de l'avis et que le défaut d'emploi n'a pas été attribuable à des circonstances spéciales qui le justifient, l'enregistrement de cette marque de commerce est susceptible de radiation ou de modification en conséquence.

[5] Section 45 has been called a tool for removing deadwood from the trade-mark register (Justice Desjardins used this expression in her dissent in *Boutiques Pro-golf Inc. v. Marks & Clerk* (1993), 54 C.P.R. (3d) 451 (F.C.A.), at page 457). Justice Hugessen provided a more formal description of the purpose of section 45 in *Berg Equipment Co. (Canada) v. Meredith & Finlayson* (1991), 40 C.P.R. (3d) 409 (F.C.A.) at page 412:

Section 45 provides a simple and expeditious method of removing from the register marks which have fallen into disuse. It is not intended to provide an alternative to the usual *inter partes* attack on a trade mark envisaged by section 57.

Other cases make the same point: *Austin Nichols & Co. v. Cinnabon, Inc. (F.C.A.)*, [1998] 4 F.C. 569 at paragraph 14; *Lang Michener v. United Grain Growers Ltd. (F.C.A.)*, [2001] 3 F.C. 102 at paragraph 16.

[6] The use that the registrant must show in response to a subsection 45(1) notice is stipulated in section 4 of the *Trade-Marks Act*, which reads in relevant part as follows:

4. (1) A trade-mark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred.

...

(3) A trade-mark that is marked in Canada on wares or on the packages in which they are contained is, when the wares are exported from Canada, deemed to be used in Canada in association with those wares.

4. (1) Une marque de commerce est réputée employée en liaison avec des marchandises si, lors du transfert de la propriété ou de la possession de ces marchandises, dans la pratique normale du commerce, elle est apposée sur les marchandises mêmes ou sur les colis dans lesquels ces marchandises sont distribuées, ou si elle est, de toute autre manière, liée aux marchandises à tel point qu'avis de liaison est alors donné à la personne à qui la propriété ou possession est transférée.

[...]

(3) Une marque de commerce mise au Canada sur des marchandises ou sur les colis qui les contiennent est réputée, quand ces marchandises sont exportées du Canada, être employée dans ce pays en liaison avec ces marchandises.

[7] In proceedings under section 45, the registrant must show that during the relevant period, the registrant used the subject mark or that it was used by another person whose use accrued to the registrant's benefit: *Marcus v. Quaker Oats Co.* (1988), 20 C.P.R. (3d) 46 at pages 51 to 52 (F.C.A.). The requisite use may be by a licensee if the registrant shows that it has, under the licence, direct or indirect control of the character or quality of the wares as contemplated by subsection 50(1) of the *Trade-Marks Act*: *House of Kwong Sang Hong International Ltd. v. Borden Ladner Gervais*, 2004 FC 554 at paragraph 22.

[8] The burden on the registrant to prove use in a section 45 proceeding is not a heavy one. An affidavit or statutory declaration will suffice if it provides a factual description of the use of the subject mark demonstrating that the requirements of section 4 are met: *Eclipse International Fashions Canada Inc. v. Shapiro Cohen*, 2005 FCA 64, at paragraph 6 (see also *Central Transport, Inc. v. Mantha & Associés/Associates* (1995), 64 C.P.R. (3d) 354 (F.C.A.), and *Plough (Canada) Ltd. v. Aerosol Fillers Inc.* (F.C.A.), [1981] 1 F.C. 679). It is always open to the Registrar, as the finder of fact, to draw reasonable inferences from the facts stated in the affidavit or statutory declaration.

[9] Pursuant to subsection 56(1) of the *Trade-Marks Act*, the Registrar's decision under subsection 45(1) may be appealed to the Federal Court. Subsection 56(5) permits the appellant to adduce additional evidence in such an appeal.

Standard of review

[10] The standard of review to be applied by the Federal Court to the Registrar's findings of fact and exercise of discretion in an appeal of a decision under subsection 45(1) is reasonableness.

However, if the judge concludes that the additional evidence presented on the appeal would have materially affected the Registrar's findings of fact or exercise of discretion, the judge must come to his own conclusion on the issue to which the additional evidence relates: *Molson Breweries v. John Labatt Ltd. (C.A.)*, [2000] 3 F.C.R. 145 at paragraph 51.

[11] The task of this Court is to determine whether the judge correctly chose and applied this standard of review: *Dr. Q. v. College of Physicians and Surgeons of British Columbia*, [2003] 1 S.C.R. 226, 2003 SCC 19, at paragraphs 43 - 44.

[12] In the case of an appeal under section 56 of the *Trade-Marks Act* in which additional evidence is submitted to the Federal Court, this Court must also consider the judge's conclusion on the question of whether the additional evidence would have materially affected the Registrar's findings of fact or exercise of discretion. That is a question of mixed fact and law, and therefore the judge's conclusion will stand absent a palpable and overriding factual error or an extricable error of law: *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235.

Discussion

[13] The subject mark was registered in 1974 on the application of a predecessor of Spirits BV, which became the registrant in 1999. The initial application asserted the use of the subject mark in Canada since June of 1966 in association with vodka.

[14] On June 18, 2008, the Registrar sent a notice to Spirits BV requiring it to show that the subject mark had been used in Canada in association with vodka during the three year period preceding the notice (June 18, 2005 to June 18, 2008). In response to that notice, Spirits BV submitted two affidavits.

[15] One affidavit, sworn by Professor Michael S. Mulvey on December 12, 2008, addressed only the question of whether the mark actually used by Spirits BV during the relevant period was materially different from the mark as registered. The judge determined that point in favour of Spirits BV and it is not in issue in this appeal. Therefore, Dr. Mulvey's affidavit need not be considered further.

[16] The other affidavit submitted to the Registrar was sworn by Mr. Pavel Fedoryna on December 11, 2008. That affidavit was intended to show the use of the subject mark in association with vodka during the relevant period.

[17] In Mr. Fedoryna's affidavit, all acts related to the use of the subject mark were attributed to "MY COMPANY". That term was used in the affidavit to refer to a group of related corporations

(the “SPI Group”) that included a Swiss corporation, S.P.I. Group SA, and certain other corporations that it controlled, including Spirits BV.

[18] An assertion that a mark has been used by a group that includes the registrant is inherently ambiguous. By itself, it cannot show that the mark was used by the registrant or by another member of the group for the benefit of the registrant. That is well explained in paragraphs 11 and 12 of the Hearing Officer’s reasons (my emphasis):

¶11. In his affidavit, Mr. Fedoryna states in no uncertain terms that MY COMPANY, not the Registrant, had direct and/or indirect control over the character and quality of the vodka sold in association with the Mark in Canada during the Relevant Period. In this regard, the affiant’s sworn statements as well as the "Certificate of S.P.I. Group SA" produced as Exhibit "D" corroborate the Registrant’s own submission that the Registrant is merely one of the many corporate entities grouped under the name MY COMPANY. This is the only statement of control furnished by the Registrant. There is no description of the control nor is there a copy of the licensc [sic] agreement. There is also no detail provided regarding the presidents, the directors or the officers of the entities involved in MY COMPANY.

¶12. When the evidence is considered in its entirety, I can only conclude that a group of companies designated as MY COMPANY, which includes no less than five distinct entities, exercised some form of control over the character or quality of the registered wares during the Relevant Period. While the Registrant might belong to or be affiliated with one or all of these entities, there is simply not sufficient evidence of control to allow me to conclude that the sales of the registered wares in association with the Mark by MY COMPANY or any of the affiliated companies would enure to the benefit of the Registrant.

[19] On the basis of this analysis, the Registrar made an expungement order. The judge found, and I agree, that the decision of the Registrar was reasonable based on the Fedoryna affidavit.

[20] Spirits BV appealed to the Federal Court, and in support of its appeal presented as additional evidence the affidavit of Mr. Dmitry Denisov sworn November 10, 2010. That required the judge to consider whether the Denisov affidavit could have materially affected the Registrar's decision. The judge concluded, at paragraph 32 of his reasons, that the answer was no because the Denisov affidavit did not resolve the deficiencies in the Fedoryna affidavit and did not have probative significance extending beyond the evidence before the Registrar. In my respectful view, that conclusion was not reasonably open to the judge, for the reasons set out below.

[21] The Denisov affidavit was intended to supplement the Fedoryna affidavit, not replace it. For that reason, my analysis begins with a summary of what I consider to be the relevant factual allegations made in the two affidavits.

- (a) Spirits BV is the registered owner of the subject mark (Denisov, paragraph 5).
- (b) The section 45 proceedings were initiated by BCF. At the time, BCF represented Les Distilleries Ltée., a party to several other proceedings opposing the position of Spirits BV in respect of applications for the registration of trade-marks for use in association with vodka. Some of those proceedings are still pending (Denisov affidavit, paragraphs 7-12).
- (c) During the period relevant to this proceeding, S.P.I. Group S.A. owned directly 83.5% of the shares of Spirits BV, and owned indirectly 100% of the shares of S.P.I. Spirits (Cyprus)

Limited (“Spirits Cyprus”) (Denisov affidavit, paragraph 13 and Exhibit DD-1; Fedoryna affidavit, paragraphs 1 and 15 and Exhibit D).

- (d) Spirits Cyprus was licensed by Spirits BV to use the subject mark in association with vodka sold in Canada during the relevant period (Denisov affidavit, paragraphs 17 and 22).
- (e) Under the licence, Spirits BV set the standards of character and quality of vodka labeled with the subject mark that was sold in Canada during the relevant period, and did so by delegating to other corporate members of the SPI Group the conduct of periodic testing for compliance with the standards of character and quality set by Spirits BV (Denisov affidavit, paragraph 18).
- (f) Under the licence, Spirits BV ensured that only vodka that met its standards was labeled with the subject mark (Denisov affidavit, paragraph 19).
- (g) The subject mark appeared on labels affixed to bottles containing vodka that had been tested under, and met the standards of character and quality set by, the licence and that was sold in Canada during the relevant period (Denisov affidavit, paragraph 20).
- (h) The invoices submitted with the Fedoryna affidavit to prove sales of vodka designated MOSKOVSKAYA to buyers in Canada indicate that sales to Canadian buyers were made on several dates during the relevant period. The invoices show the name “SPI Group” as

well as the name of Spirits Cyprus, with the latter indicated as the issuer of the invoice and the person to which payment is to be made, and in some cases as the shipping agent (Fedoryna affidavit, Exhibit C).

- (i) In the invoices attached to the Fedoryna affidavit, the product designated MOSKOVSKAYA is the vodka that was tested, met the standards, and was labeled as described in the preceding paragraphs, and the name “SPI Group” shown on some of the invoices indicates the membership of Spirits Cyprus in the SPI Group (Denisov affidavit, paragraphs 17, 22, and 23).

- (j) The dollar value of products sold in Canada in association with the subject mark during the relevant period is approximately \$5.3 million (Fedoryna affidavit, paragraph 13).

[22] In my view these factual allegations, together with the inferences that can reasonably be drawn from them, are sufficient to show the requisite use of the subject mark during the relevant period. It follows that the Hearing Officer could reasonably have decided, based on these allegations, that the subject mark should not be expunged, and that therefore the Denisov affidavit could have materially affected the Registrar’s decision.

[23] The judge concluded the contrary because he accepted a number of BCF’s submissions relating, among other things, to the role of Spirits Cyprus, the absence of details about the licence,

and the vagueness of the allegations about the testing of the vodka. BCF made substantially the same submissions in this Court.

[24] BCF's main submission in the Federal Court and in this Court is that the Denisov affidavit does not say specifically that Spirits Cyprus is licensed to use the subject mark to make or sell vodka in Canada. However, it is reasonable to infer from the Denisov affidavit, considered in conjunction with the invoices attached to the Fedoryna affidavit (which are referenced in the Denisov affidavit), that under the licence from Spirits BV, Spirits Cyprus acts as the selling agent for Canadian sales of vodka bearing the subject mark. BCF cited no authority for the proposition that this is not a sufficient use of a trade-mark to satisfy the requirements of section 4, and I am unable to see why it should not be sufficient.

[25] BCF relied on the statement in the Denisov affidavit that Spirits Cyprus provides legal support to the companies in the SPI Group as something that undermined any allegation of use of the subject mark by Spirits Cyprus. The portion of the Denisov affidavit to which BCF refers is background information that is intended to describe the role of the affiant (who is the head of the legal department of Spirits Cyprus), and to explain how and why he has knowledge of the relevant facts. It is not inconsistent with the allegation that Spirits Cyprus is a selling agent under licence.

[26] BCF also relied on the fact that the Denisov affidavit does not state the dates of the beginning or end of the licence. In my view, that omission is irrelevant. The Denisov affidavit says with sufficient clarity that Spirits Cyprus was licensed during the relevant period to use the subject

mark, and that the specific sales upon which Spirits BV relies to establish the requisite use (the dates of which are stated on the invoices) were made during the relevant period. It would add nothing to state the beginning or ending date of the licence.

[27] BCF submitted that the statements in the Denisov affidavit are too vague to establish that Spirits BV exercised sufficient control over the nature and character of the vodka sold under the subject mark during the relevant period. I do not agree. As I read the statements in the Denisov affidavit, they are more than bare assertions that the control required by section 50 of the *Trade-Marks Act* exists. They are assertions of fact describing how Spirits BV had and exercised the required degree of control.

[28] BCF also argues that the weight to be given to all of the evidence is diminished because there are inconsistencies between the Fedoryna and Denisov affidavits. That is not a fair characterization. The Denisov affidavit clarifies and adds important details to the Fedoryna affidavit. It does not contradict the Fedoryna affidavit.

[29] Finally, BCF argued that it is fatal to the case of Spirits BV that the Denison affidavit says that labels bearing the subject mark were affixed to the bottles containing vodka, but not to the boxes in which the vodka was shipped to the buyers named in the invoices attached to the Fedoryna affidavit. It is not clear whether this argument was made for the first time in this Court because it is not mentioned by the judge. In any event, I see no merit to the argument. BCF cited no authority for the proposition that in the circumstances of this case, the subject mark must not only be on the

bottles in which the product is delivered to consumers, but also on the box in which the bottles are shipped to wholesalers. I am not persuaded that such a proposition can be justified on the facts of this case.

[30] For these reasons, I conclude that on the basis of the two affidavits, the Hearing Officer could reasonably have held that the requisite use of the subject mark was shown during the relevant period, and therefore the Denisov affidavit could have materially affected the Registrar's decision. The judge should have considered the matter *de novo* and reached his own conclusion. Since he did not do so, that task falls to this Court. As my analysis of the affidavits has led me to conclude that the requisite use during the relevant period was shown, Spirits BV is entitled to succeed in this appeal.

Conclusion

[31] I would allow the appeal and set aside the judgment of the Federal Court. Making the judgment the Federal Court should have made, I would allow the appeal of the Registrar's decision, and set aside the decision of the Registrar requiring the expungement of the subject mark. Spirits BV is entitled to its costs in this Court and the Federal Court, payable by BCF.

“K. Sharlow”

J.A.

“I agree
John M. Evans J.A.”

“I agree
Eleanor R. Dawson J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-357-11

**APPEAL FROM THE JUDGMENT OF THE HONOURABLE MR. JUSTICE SCOTT
OF THE FEDERAL COURT, DATED JUNE 30, 2011 IN DOCKET NO. T-1642-10.**

STYLE OF CAUSE: SPIRITS INTERNATIONAL B.V.
v. REGISTRAR OF TRADE
MARKS AND BCF S.E.N.C.R.L.

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: March 26, 2012

REASONS FOR JUDGMENT BY: SHARLOW J.A.

CONCURRED IN BY: EVANS J.A.
DAWSON J.A.

DATED: April 27, 2012

APPEARANCES:

Brian Isaac
Heather Robertson

FOR THE APPELLANT

Kevin Sartorio

FOR THE RESPONDENTS

SOLICITORS OF RECORD:

SMART & BIGGAR
Toronto, Ontario

FOR THE APPELLANT

GOWLING LAFLEUR HENDERSON LLP
Toronto, Ontario

FOR THE RESPONDENTS