



Canadian Intellectual Property Office

THE REGISTRAR OF TRADEMARKS

Citation: 2023 TMOB 041

Date of Decision: 2023-03-07

IN THE MATTER OF A SECTION 45 PROCEEDING

Requesting Party: Obsidian Group Inc.

Registered Owner: Party Beverages Limited

Registration: TMA284,310 for FREDDA

INTRODUCTION

[1] This is a decision involving a summary expungement proceeding under section 45 of the *Trademarks Act*, RSC 1985, c T-13 (the Act) with respect to registration No. TMA284,310, for the trademark FREDDA (the Mark).

[2] The Mark is registered for use in association with “Carbonated and non-carbonated non-alcoholic beverages” (the Goods).

[3] For the reasons that follow, I conclude that the registration ought to be expunged.

THE PROCEEDING

[4] On August 19, 2021, at the request of Obsidian Group Inc. (the Requesting Party), the Registrar of Trademarks issued a notice under section 45 of the Act to Party Beverages Limited (the Owner).

[5] The notice required the Owner to show whether the Mark was used in Canada in association with the Goods at any time within the three-year period immediately preceding the date of the notice and, if not, the date when the Mark was last in use and the reason for the absence of use since that date. In this case, the relevant period for showing the Mark was used is between August 19, 2018 and August 19, 2021 (the Relevant Period).

[6] The relevant definition of “use” in the present case is set out in section 4(1) of the Act as follows:

4(1) 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 distributed 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.

[7] In response to the Registrar’s notice, the Owner submitted the affidavit of Sarath Lankage, President of the Owner, sworn in Ontario, dated May 20, 2022.

[8] Only the Requesting Party submitted written representations. No hearing was held.

THE OWNER’S EVIDENCE

[9] The affiant explains that the Owner uses the Mark in association with carbonated non-alcoholic beverages specifically as “carbonated aperitivo”, commonly identified as a soda beverage. The manufacturing, distribution and selling is handled by a third party, National Dry Company Limited (National Dry) [para 3] while the Owner “has control over all aspects of the character and quality of the soda beverage” [para 4].

[10] The affiant states that “The most recent sale of FREDDA brand soda by National Dry to a sub-distributor was for 516 bottles which took place in July 2018” [para 5], which is outside the Relevant Period. In paragraph 6, the affiant adds that:

“However, due to the manner in which My Company’s FREDDA brand soda is distributed and sold in Canada before it reaches the end consumer and the fact that the last sale of the product to a sub-distributor took place a few weeks before the start of the Relevant Period, the end consumer could still find and purchase the FREDDA brand soda on store shelves during the Relevant Period.”

[11] The affiant also explains that the “soda has a shelf life of 12 months” and that based on its normal course of trade and the way its distribution channels work “many months will go by for the FREDDA brand soda to be in the hands of the end consumer and for the retailers and food services to be out of the product” [para 3].

[12] In paragraph 14, the affiant goes on and states that

“...I can confidently state that use of the FREDDA brand soda has taken place during the Relevant Period because of the manner in which My Company has sold its products in Canada over more than thirty years and because of the long shelf life of the FREDDA product which was available on store shelves for purchase by end consumers during the Relevant Period.”

[13] The following exhibits are attached to the affidavit:

- Exhibit A: A photograph of 355 ml bottles bearing the Mark and the word “Bitter”
- Exhibit B: two invoices from National Dry (located in Canada) for “FREDDABITTER12P” dated February 22 and March 22, 2022, outside the Relevant Period. Respectively for 4 cases of 12 bottles and 10 cases of 12 bottles.

[14] The affiant explains that customers and distributors were requesting the product to be available in 250 ml size to reduce the number of serving per bottles [para 8]. The affiant further explains that finding a supplier for 250 ml bottle was challenging [para 9] and that the COVID-19 pandemic caused major disruption in the supply chain for bottles [para 10]. The Owner found a new bottle supplier in Europe but with a significantly

higher cost, which disqualified it as a viable option [para 10]. The affidavit is unclear as to when exactly these events occurred.

[15] The affiant goes on to explain how the pandemic has affected the industry causing supply chain issues, reduced sales, etc. [para 11] and that “All these disruptions have been unprecedented and have prevented My Company from resuming sales of FREDDA brand product to this date” [para 12]. The affiant says the Owner has received numerous requests for the Goods, has secured 355 ml bottles, is actively working on sourcing ingredients, and intends to resume selling the Goods “later this year” [para 13]. Once again, the affidavit is unclear as to when exactly these events occurred.

ANALYSIS AND REASONS FOR DECISION

Inadmissibility of Evidence Submitted in Written Arguments

[16] As a preliminary matter, I note that during the written representation stage, the Requesting Party submitted an affidavit with facts not in evidence. These submissions will be disregarded [*Ridout & Maybee LLP v Encore Marketing International Inc* (2009), 72 CPR (4th) 204 (TMOB)]. In addition, in a section 45 proceeding, the Registrar may only receive evidence tendered by or on behalf of the registered owner [*Meredith & Finlayson v Canada (Registrar of Trademarks)* (1991), 40 CPR (3d) 409 (FCA)].

Use of the Mark

[17] The Requesting Party submits that any evidence provided by the affiant with respect to National Dry ought to be given no weight. However, based on the affiant’s statement that the Owner controls all aspects of the character and quality of the soda beverage, I am prepared to accept that the activities of National Dry would be within the affiant’s knowledge, and any use of the Mark by National Dry would enure to the Owner [see *Empresa Cubana Del Tobacco Trading v Shapiro Cohen*, 2011 FC 102 at para 84].

[18] Although invoices are not mandatory in order to satisfactorily reply to a section 45 notice [see *Lewis Thomson & Son Ltd v Rogers, Bereskin & Parr* (1988), 21 CPR (3d) 483 (FCTD)], some evidence of transfer in the normal course of trade in Canada

during the Relevant Period is necessary [*John Labatt Ltd v Rainier Brewing Co* (1984), 80 CPR (2d) 228 (FCA)]. Such evidence can be in the form of documentation like invoices or sales reports but can also be through clear sworn statements regarding volumes of sales, dollar value of sales, or equivalent factual particulars [see, for example, *1471706 Ontario Inc v Momo Design srl*, 2014 TMOB 79].

[19] In this case, the affiant has provided two invoices showing sales of the soda beverage to Canadian entities in February and March 2018, and referred to a sale of 516 bottles to a sub-distributor in July 2018; all commercial transactions happened outside the Relevant Period. As noted by the Requesting Party, no invoice is attached with respect to this last sale, and the affiant does not explicitly confirm that this sale was in Canada or that this transaction ultimately resulted in sales to Canadian consumers during the Relevant Period.

[20] While the affiant refers at paragraphs 3, 6, and 14 to its normal course of trade, in which “many months will go by for the FREDDA brand soda to be in the hands of the end consumer”, there is insufficient evidence to allow me to conclude that the goods sold in the February, March, and July transactions were sold to end consumers in Canada during the Relevant Period. In this respect, the Registrar must be able to “rely on an inference from proven facts rather than on speculation” to satisfy every element required by the Act [see *Diamant Elinor Inc v 88766 Canada Inc*, 2010 FC 1184; also *Smart & Biggar v Curb*, 2009 FC 47]. Unsubstantiated statements such as in paragraph 6 and 14 reproduced above are not proven facts, they are either bare statements or speculation.

[21] Further, it is not sufficient that the Goods were merely offered during the Relevant Period; some evidence of transfers in the normal course of trade in Canada is necessary [see, for example, *Molson Cos v Halter* (1976), 28 CPR (2d) 158 (FCTD); and *Gowling, Strathy & Henderson v Royal Bank* (1995), 63 CPR (3d) 322 (FCTD)].

[22] Additionally, the Requesting Party submits, and I agree, that the evidence is silent as to any use of the Mark in association with “non-carbonated” drinks.

[23] In view of the foregoing, I am not satisfied that the Owner has shown use of the Mark in Canada within the meaning of sections 4 and 45 of the Act. I will now review and analyze the special circumstances put forward to justify the absence of use.

Special Circumstances

The Test for Special Circumstances

[24] To determine whether special circumstances have been established, the Registrar must first determine, in light of the evidence, why in fact the trademark was not used during the relevant period. Second, the Registrar must determine whether these reasons for non-use constitute special circumstances [*Registrar of Trademarks v Harris Knitting Mills Ltd* (1985), 4 CPR (3d) 488 (FCA) (*Harris Knitting Mills*)]. The Federal Court has held that special circumstances mean circumstances or reasons that are “unusual, uncommon, or exceptional” [*John Labatt Ltd v Cotton Club Bottling Co* (1976), 25 CPR (2d) 115 (FCTD)].

[25] If the Registrar determines that the reasons for non-use constitute special circumstances, the Registrar must still decide whether such special circumstances excuse the period of non-use. This involves the consideration of three criteria: (i) the length of time during which the trademark has not been in use; (ii) whether the reasons for non-use were beyond the control of the registered owner; and (iii) whether there exists a serious intention to shortly resume use [*Harris Knitting Mills*].

[26] The relevance of the first criterion is apparent, as reasons that may excuse a brief period of non-use may not be sufficient to excuse an extended period of non-use; in other words, the reasons for non-use will be weighed against the length of non-use [*Harris Knitting Mills*].

[27] All three criteria are relevant but satisfying the second criterion is essential for a finding of special circumstances excusing non-use [*Smart & Biggar v Scott Paper Ltd*, 2008 FCA 129 (*Scott Paper*)].

[28] The intention to shortly resume use must be substantiated by “a sufficient factual basis” [*NTD Apparel Inc v Ryan* (2003), 27 CPR (4th) 73 (FCTD) (*NTD Apparel*)].

Why was the trademark not used during the relevant period?

[29] According to the Lankage affidavit, the Mark's last use would have been in July 2018 [para 5] and the last sale invoices of the Goods are dated February and March 2018 [Exhibit B]. Therefore, the Mark has been last used somewhere between March and July 2018.

[30] Although the Owner submitted no representations, as set out in the affidavit, it would appear that the Owner's reasons for non-use of the Mark during the relevant period were as follows: the decision to change the size of the bottles based on distributors and consumers' feedback; difficulties in finding a new bottle supplier and higher costs; and the COVID-19 pandemic.

[31] Thus, taking the affiant's statements at face value, the reason for non-use of the Mark during the Relevant Period appears to be a combination of the Owner's decision to address distributors and consumers' feedback regarding the size of bottles and the Owner's decision to reject the European bottle supplier because of its high cost, all of which were complicated by the pandemic beginning in the middle of the Relevant Period.

Do the reasons for non-use constitute special circumstances?

[32] Even taking the circumstances described in the affidavit at face value, they do not constitute special circumstances. For example, the affiant does not explain how looking for another size of bottle would have prevented the Owner from continuing to manufacture and distribute the Goods in 355 ml bottles during the Relevant Period. Furthermore, while the pandemic may have disrupted the Owner's business as of March 2020, it only accounted for less than half of the Relevant Period, and despite the Owner's difficulties in sourcing 250 ml bottles during the pandemic, it is not clear that the Owner would have resumed sales during the Relevant Period even in the absence of such difficulties.

[33] Given the last use was in 2018, shortly before the section 45 notice from the Registrar, the initial absence of use appears to be the result of a voluntary business

decision to change the bottle size of the Goods. “Whether compounded by the pandemic or not, such a voluntary business decision does not constitute circumstances that are “unusual, uncommon or exceptional”” [*BenefitHub, Inc v Frontline Centre Inc*, 2021 TMOB 233 at para 22].

Would the circumstances excuse non-use?

[34] In any event, even if I were to accept that the Owner’s circumstances could be considered “unusual, uncommon or exceptional” circumstances, I would not be satisfied that they excuse the period of non-use in this case. In this respect, I would not find that the Owner has satisfied the criteria set out in *Harris Knitting Mills*.

[35] While the period of non-use is relatively short as it began between March and July 2018, it is unclear how the Owner’s business decision to change the size of its bottle was beyond its control. Concluding that the reasons for non-use were beyond the control of the registered owner is essential for a finding of special circumstances excusing non-use [see *Scott Paper*]; it is not the case here.

[36] Furthermore, the Owner’s intention to resume selling the good are at best vague and generic “later this year” and unsubstantiated by factual elements. Special circumstances are an exception to the general rule that trademark which is not used should be expunged [see *NTD Apparel*]; the evidence in this case is insufficient for it to be an exception.

DISPOSITION

[37] Pursuant to the authority delegated to me under section 63(3) of the Act, and in compliance with the provisions of section 45 of the Act, the registration will be expunged.

Martin Béliveau
Chairperson
Trademarks Opposition Board
Canadian Intellectual Property Office

Appearances and Agents of Record

HEARING DATE: No hearing held

AGENTS OF RECORD

For the Requesting Party: CPST Intellectual Property Inc.

For the Registered Owner: Aventum IP Law LLP