



LE REGISTRAIRE DES MARQUES DE COMMERCE  
THE REGISTRAR OF TRADE-MARKS

**Citation: TMOB 2013 228**  
**Date of Decision: 2013-12-31**

**IN THE MATTER OF A SECTION 45 PROCEEDING  
requested by Karoun Dairies Inc. against registration  
No. TMA724,736 for the trade-mark KAROUN in the  
name of Karoun Dairies S.A.L.**

[1] On October 12, 2011, at the request of Karoun Dairies Inc. (the Requesting Party), the Registrar of Trade-marks issued a notice under section 45 of the *Trade-marks Act* RSC 1985, c. T-13 (the Act) to Karoun Dairies S.A.L. (the Registrant), the registered owner of registration No. TMA724,736 for the trade-mark KAROUN (the Mark).

[2] Section 45 of the Act requires the registered owner of the trade-mark to show whether the trade-mark has been used in Canada in association with each of the wares and services specified in the registration at any time within the three year period immediately preceding the date of the notice and, if not, the date when it was last in use and the reason for the absence of such use since that date. In this case, the relevant period for showing use of the Mark is between October 12, 2008 and October 12, 2011.

[3] Although the Mark was originally registered in association with a variety of dairy products, subsequent to the issuance of the notice, the Registrant voluntarily amended the registration to delete all of the wares with the exception of “cheese”.

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

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.

[5] It is well established that mere assertions of use are not sufficient to demonstrate use in the context of a section 45 proceeding [*Plough (Canada) Ltd v Aerosol Fillers Inc* (1980), 53 CPR (2d) 62 (FCA)]. Although the threshold for establishing use in these proceedings is quite low [*Woods Canada Ltd v Lang Michener et al* (1996), 71 CPR (3d) 477 (FCTD)], and evidentiary overkill is not required [*Union Electric Supply Co v Canada (Registrar of Trade Marks)* (1982), 63 CPR (2d) 56 (FCTD)], sufficient facts must still be provided to permit the Registrar to arrive at a conclusion of use of the trade-mark in association with each of the wares specified in the registration during the relevant period.

[6] In response to the Registrar's notice, the Registrant furnished the declaration of Ara Baghdassarian, "President Directeur General" and majority shareholder of the Registrant, sworn on May 11, 2012. Both the Registrant and the Requesting Party filed written representations and attended an oral hearing.

[7] In his declaration, Mr. Baghdassarian attests that the Registrant is the successor to a family dairy business founded in Lebanon in 1931 and that the Registrant has operated under the trade name Karoun Dairies since at least as early as 1972. He attests that the Registrant's cheeses and dairy products sold under the Mark "have been well known in the Middle East since before 1990." Mr. Baghdassarian explains that, in 1990, his brother sold his interest in the Registrant to him, following the death of their father and during a period of civil unrest in Lebanon. According to Mr. Baghdassarian, his brother moved to the United States and, in 1992, began a dairy business in California selling products using the Mark. Mr. Baghdassarian explains that he was not aware of this fact until 2003, and a large portion of Mr. Baghdassarian's declaration explains at length the subsequent legal difficulties he has had with his brother over the use of the Mark in North America and worldwide.

[8] Although these legal difficulties shed light on the Registrant's situation during the relevant period, they are not immediately pertinent to the issue of whether the Mark was in use in Canada during the relevant period in association with "cheese". As such, I will address this issue first.

Evidence of use during the relevant period

[9] With respect to use of the Mark in Canada during the relevant period, Mr. Baghdassarian explains that, in addition to being the majority shareholder of the Registrant, he is also the President and founder of Karoun Dairies, Inc. (Karoun Canada), a New Brunswick corporation. Mr. Baghdassarian attests that Karoun Canada is the Registrant's exclusive licensee of the Mark in Canada, with the Registrant having direct or indirect control over the character and quality of the wares in association with which Karoun Canada uses the Mark. He states that the license has been in effect continuously since the incorporation of Karoun Canada in September 2007.

[10] In particular with respect to the registered wares, "cheese", Mr. Baghdassarian attests that "from before September 29, 2008, Karoun Canada was selling, in Canada, cheese labeled with, or in packaging which bore, the [Mark]". He explains that, due to the perishable nature of the cheese, "delivery of the cheese typically occurred by the customer picking up the cheese in Canada, according to the customer's own arrangements."

[11] Attached to the declaration at Exhibit AB-1 is a collection of labels bearing the Mark, which Mr. Baghdassarian attests are identical to the labels affixed to the cheese sold by Karoun Canada to wholesale distributors and grocery stores located in Canada.

[12] Also attached, at Exhibit AB-2, is a collection of eight invoices labeled 00001 to 00008 that Mr. Baghdassarian attests are "representative" of those issued by Karoun Canada to its customers for purchases of cheese. Mr. Baghdassarian states that information on the invoices which could be used to identify Karoun Canada's customers has been blacked out so that this information could not "be used by others to the detriment of Karoun Canada and [the Registrant]." I note that this information includes the unit prices and total dollar values, which have all been redacted from the invoices.

[13] In any event, the seven invoices numbered sequentially 00001 to 00007 are all dated between December 5, 2007, and February 20, 2008, prior to the relevant period. Furthermore, Mr. Baghdassarian concedes that the date a Canadian customer last received cheese bearing the Mark was in February 2008.

[14] With respect to invoice number 00008, dated March 11, 2010, Mr. Baghdassarian states that on March 9, 2010, he personally visited a food store in Toronto, Rami's Market, with samples of Karoun Canada's cheese. He attests that, after he "showed" the samples to the manager of Rami's Market, the manager then filled out an "irrevocable" purchase order, a copy of which is attached to the declaration as Exhibit AB-3. However, Mr. Baghdassarian explains that, subsequently, Rami's Market neither paid for nor took physical possession of the ordered cheese.

[15] In this respect, Mr. Baghdassarian attaches, as Exhibit AB-4 to his declaration, a copy of a facsimile from Karoun Canada to Rami's Market which consists of the aforementioned March 11, 2010 invoice and a cover page advising Rami's Market that the order would be ready "in a week." Also forming part of the same exhibit is a copy of a facsimile page dated March 17, 2010, informing Rami's Market that the order was ready to be picked up. However, Mr. Baghdassarian attests that Rami's Market did not pick up this order; he attests that he understood that Rami's Market would be unable to pay "due to financial hardship".

[16] Aside from this evidence with respect to one incomplete transaction, Mr. Baghdassarian provides no further evidence of use of the Mark in Canada during the relevant period. However, at Exhibit AB-11, he does attach "printouts of select pages from one of Karoun Canada's current websites, showing photographs of the products which Karoun Canada offers for sale in Canada." He attests that Karoun Canada has received email inquiries from potential customers, and that he himself has engaged in correspondence with respect to the Registrant's cheese. These communications are contained in exhibits AB-12 and AB-13.

[17] The Requesting Party submits that there is no evidence that the Registrant allows others to use the Mark or that the Registrant controls the use of the Mark in Canada. However, at paragraphs 10 and 11 of his declaration, Mr. Baghdassarian provides sufficient statements regarding the licensing and control of the Mark by the Registrant. I note that furnishing a copy of a license agreement is not mandatory as long as the evidence establishes that the Registrant has the requisite control pursuant to section 50 of the Act [see *Nissan Jidosha Kabushiki Kaisha v MAAX Canada Inc* (2007), 65 CPR (4th) 99 (TMOB) at 102]. In any event, in addition to his sworn statements, given Mr. Baghdassarian's executive roles with both the Registrant and

Karoun Canada, whereby he personally directed the operations of both companies, I am satisfied that the evidence establishes that the Registrant would have had the requisite control during the relevant period.

[18] For the reasons that follow, however, this issue is moot.

Use in association with the wares

[19] In the present case, although Rami's Market never paid for nor picked up the ordered cheese with respect to the March 11, 2010 sale, the Registrant submits that the property in the cheese passed to Rami's Market once the invoice was issued and the cheese was ready to be picked up, constituting use of the Mark within the meaning of section 4(1) of the Act. In support, the Registrant cites sections 18 and 19 of Ontario's *Sale of Goods Act*, RSO 1990, c. S.1, the relevant portions of which are as follows:

Property passes where intended to pass

18(1) Where there is a contract for the sale of specific or ascertained goods, the property in them is transferred to the buyer at such time as the parties to the contract intend it to be transferred.

(2) For the purpose of ascertaining the intention of the parties, regard shall be had to the terms of the contract, the conduct of the parties and the circumstances of the case.

Rules for ascertaining intention

19. Unless a different intention appears, the following are rules for ascertaining the intention of the parties as to the time at which the property in the goods is to pass to the buyer:

Rule 1.—Where there is an unconditional contract for the sale of specific goods in a deliverable state, the property in the goods passes to the buyer when the contract is made and it is immaterial whether the time of payment or the time of delivery or both is postponed.

Rule 2.—Where there is a contract for the sale of specific goods and the seller is bound to do something to the goods for the purpose of putting them into a deliverable state, the property does not pass until such thing is done and the buyer has notice thereof. ...

[20] Relying on Section 18(1) above, the Registrant submits that it was immaterial whether the cheese was actually picked up or paid for, as the purchase order placed by Rami's Market

was “irrevocable”; once the cheese was ready for pick-up, and Rami’s Market was so notified, the property in the cheese transferred to Rami’s Market, constituting use of the Mark in association with the wares.

[21] In reply to this argument, the Requesting Party submits that as there was no payment, no sale, and no pick-up of the cheese, invoice number 00008 is not valid and should be considered “aborted and/or cancelled”. It further submits that the *Sale of Goods Act* has no bearing on the federal *Trade-marks Act*. On this more general point, I would note that section 8.1 of the *Interpretation Act* RSC, 1985, c. I-21 states, in part:

8.1 ... if in interpreting an enactment it is necessary to refer to a province’s rules, principles or concepts forming part of the law of property and civil rights, reference must be made to the rules, principles and concepts in force in the province at the time the enactment is being applied.

[22] In this case, however, I do not consider it necessary to resort to the Ontario *Sale of Goods Act*. Even if I were to accept the Registrant’s interpretation and application of that statute to determine that, in law, property in the cheese had transferred to Rami’s Market, the issue is whether such transfer occurred *in the normal course of trade*. The *Sale of Goods Act* is silent in this respect.

[23] Considering the Registrant’s submissions for a moment, however, I note that they turn on whether the intent of the parties was clear that the purchase order should be “irrevocable”. However, notwithstanding Mr. Baghdassarian’s statements, a determination as to the intent of the parties is a conclusion of law. Section 19 of the *Sale of Goods Act*, which sets out the rules to ascertain the intention of the parties, begins with the caveat “Unless a different intention appears...”; in this case, Mr. Baghdassarian cannot attest to the intent of the controlling minds of Rami’s Market, nor does the Registrant furnish any evidence from anyone representing Rami’s Market. Furthermore, this “different intention” is arguably evident in the Registrant’s own evidence, specifically the purchase order at Exhibit AB-3. With respect to the shipping, I note that a handwritten note appears on the purchase order to the effect that the order will ship to the “same” address as the billing address, notwithstanding the “Special Instructions” portion of the purchase order which states that “Shipping and handing are taken care and paid by the customer”.

[24] At best, the evidence before me is inconclusive as to the intent of the parties, such that I do not consider section 19 of the *Sale of Goods Act* applicable to the present case. I therefore cannot conclude that the property in the cheese passed to Rami's Market pursuant to the *Sale of Goods Act*.

[25] As noted above, however, even if I were to accept that the *Sale of Goods Act* applies to this transaction as argued by the Registrant, I am not satisfied that it has shown that such a transfer occurred in the normal course of trade of the wares as contemplated by section 4(1) of the *Trade-marks Act*. Indeed, the Registrant's reliance on a highly technical interpretation of what constitutes a transfer of property in regards to a single sale of cheese during the relevant period suggests that the Mark was not being used in Canada in the normal course of trade.

[26] In *Philip Morris Inc v Imperial Tobacco Ltd* (1987), 13 CPR (3d) 289 (FCTD), the Court stated that "evidence of a single sale, whether wholesale or retail, in the normal course of trade may well suffice so long as it follows the pattern of a genuine commercial transaction and is not seen as being deliberately manufactured or contrived to protect the registration of the trade mark" [at 293]. More recently, in *JC Penney Co v Gaberdine Clothing Co* (2001), 16 CPR (4th) 151 (FCTD), the Court discussed how "sales that have been found to be "token" sales, sales to related companies, free delivery of samples, and *pro-forma* transfers, do not meet the requirements of "in the normal course of trade"" [at paragraph 92].

[27] Similarly, it is contrary to common sense to consider that a single incomplete transaction, where no payment was made and no physical transfer of the goods occurred, would be in the normal course of trade in wares such as cheese [see also *Molson Co v Halter* (1976), 28 CPR (2d) 158 (FCTD); *Quarry Corp v Bacardi & Co* (1999), 86 CPR (3d) 127 (FCA)].

[28] As an alternative submission, the Registrant submits that Mr. Baghdassarian's showing of sample cheese to the manager of Rami's Market would constitute use of the Mark in association with the wares. The Registrant cites *Canadian Olympic Association v Pioneer Kabushiki Kaisha* (1992), 42 CPR (3d) 470 (TMOB) and *Argenti Inc v Exode Importations Inc* (1984), 8 CPR (3d) 174 (FCTD) as examples of use of a trade-mark in association with wares in the absence of payment.

[29] However, generally, the free distribution of samples bearing a trade-mark is not use of that trade-mark in the normal course of trade except in certain circumstances [see, for example, *ConAgra Foods, Inc v Fetherstonhaugh & Co* (2002), 23 CPR (4th) 49 (FCTD), where distribution of free samples was considered a regular step in the normal course of trade in the industry where the owner of the trade-mark was seeking to develop a market].

[30] Notwithstanding that, in this case, there is no evidence of subsequent sales in the normal course of trade, the two cases cited by the Registrant can be further distinguished by the simple fact that Mr. Baghdassarian does not attest to any physical transfer of the cheese samples to Rami's Market. He simply attests that he "showed" the samples to the manager. The disposition of the samples is, at best, unclear.

[31] Accordingly, I do not consider the March 2010 transaction with Rami's Market to represent a transfer of the property in or possession of the wares in the normal course of trade as contemplated by section 4 of the Act.

[32] In view of the foregoing, the issue in this case is whether, pursuant to section 45(3) of the Act, special circumstances existed to excuse the absence of use of the Mark in association with "cheese" during the relevant period.

#### Special circumstances justifying non-use

[33] Generally, a determination of whether there are special circumstances that excuse non-use involves consideration of three criteria, as set out in *Registrar of Trade Marks v Harris Knitting Mills Ltd* (1985), 4 CPR (3d) 488 (FCA). The first is the length of time during which the trade-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.

[34] The decision in *Smart & Biggar v Scott Paper Ltd* (2008), 65 CPR (4th) 303 (FCA) offered further clarification with respect to the interpretation of the second criterion, with the determination that this aspect of the test *must* be satisfied in order for there to be a finding of



special circumstances excusing non-use of a trade-mark. In other words, the other two factors are relevant but, considered by themselves, in isolation, cannot constitute special circumstances.

[35] In his declaration, Mr. Baghdassarian describes being involved in several foreign legal proceedings over disputed trade-marks with his brother and associated companies. As mentioned above, the disputes arose over competing interest regarding use of trade-marks allegedly having origin in the family business founded in Lebanon. Mr. Baghdassarian goes into greater detail in his declaration, but the basic history is further described below.

[36] In 2005, Mr. Baghdassarian suspended operations of the Registrant due to military conflict in Lebanon. He explains that he subsequently fled Lebanon and settled in the United States in 2006. Shortly after arrival, he attempted to continue the suspended operations of the Registrant in part through the incorporation of Karlactic, Inc. in the United States and the incorporation of Karoun Canada in New Brunswick. He attests that Karoun Canada started selling dairy products in association with the Mark in Canada in November 2007. In 2008, however, Mr. Baghdassarian's brother commenced a legal action against him and his companies in California. In 2009, Mr. Baghdassarian's brother commenced a legal action against the Registrant's registration of the Mark in Australia. In 2011, "while the initial lawsuit [was] still pending", Mr. Baghdassarian's brother filed a new lawsuit against him in California and subsequently appealed its dismissal in 2012.

[37] Mr. Baghdassarian provides supporting documents with respect to these legal proceedings at Exhibits AB-5 to AB-10, and attests that these proceedings required him to expend a "tremendous amount of time and energy" so that he was unable to "properly devote [his] attention to sales." At least some of these legal proceedings are ongoing and Mr. Baghdassarian attests that "as soon as the legal proceedings founded on the use of the [Mark] by My Brother's company have settled down, I intend to resume sales of Karoun Canada's KAROUN cheese in Canada."

[38] As such, the Registrant submits that the reasons for non-use of the Mark were due to the "hardship" experienced by Mr. Baghdassarian when settling in North America; Mr. Baghdassarian's preoccupation with foreign legal proceedings between him, his brother, and

their respective companies; and the financial hardship suffered by the third-party retailer Rami's Market.

[39] With respect to the difficulties Mr. Baghdassarian may have had when settling in Canada, I note that any such disruption occurred prior to the relevant period, prior to the registration of the Mark and, in fact, prior to sales in Canada attested to by Mr. Baghdassarian. This is not a case where "greater latitude", as the Registrant submitted, should be given to a foreign legal entity unfamiliar with Canada [citing *Spirits International NV v Registrar of Trade-marks et al* (2006), 49 CPR (4th) 196 (FCTD)]. As such, I do not consider it directly pertinent to the question of whether special circumstances existed during the relevant period.

[40] With respect to the "financial hardship" experienced by Rami's Market, I note that, whether unforeseeable by the Registrant or not, this affected just one potential sale by Karoun Canada occurring more than two years after its last evidenced sale of cheese in Canada. It cannot and does not explain or excuse non-use of the Mark for the entirety of the relevant period.

[41] With respect to the legal proceedings affecting the Registrant's ability to conduct business, I note that in *Bacardi & Co v Jose Cuervo SA de CV* (2009), 78 CPR (4th) 451 (FC), aff'd (2010) 102 CPR (4th) 332 (FCA), it was held that the threat of impending trade-mark litigation might constitute a reasonable excuse for non-use for a short period of time. In that case, however, the Court upheld the Registrar's decision that the lack of use was a voluntary choice that did not represent special circumstances. The Court noted that the decision not to use the trade-mark in question was a voluntary and deliberate choice to "wait out the litigation."

[42] Similarly, in this case, the Registrant appears to have taken voluntary action to suspend its activities in Canada. At paragraph 77 of his declaration, Mr. Baghdassarian states that "At all times between October 12, 2008 and October 12, 2011, Karoun Canada was trying and was willing to sell cheese bearing the trade-mark KAROUN to customers in Canada." At paragraph 79, he states that "At all times since before September 9, 2008 and continuing to the present, Karoun Canada has had the ability to fill orders from customers in Canada for cheese bearing the trade-mark KAROUN."

[43] In my view, these statements are inconsistent with the submission that the Registrant was unable to use the Mark due to Mr. Baghdassarian being preoccupied with foreign legal proceedings and/or for the other reasons stated. Likewise, Mr. Baghdassarian's statement that he is waiting for his brother's litigation to "settle down" is indicative of an ability to use the Mark in Canada but coupled with the choice to not necessarily prioritize such use in Canada. In this respect, Mr. Baghdassarian attests to some business activities during the relevant period, such as the acquisition and creation of several websites to promote and sell the Registrant's cheese. He also attests to interests in the Mark in other jurisdictions, yet does not provide sufficient if any detail as to what prioritization the Registrant gave to its business efforts in Canada during the relevant period in comparison to these other jurisdictions. Accordingly, I cannot conclude that the non-use of the Mark was beyond the control of the Registrant during the relevant period.

[44] As a registered owner's intention to resume use of a trade-mark cannot alone amount to special circumstances that would excuse any non-use, per *Scott Paper, supra*, I must conclude that the Registrant has not demonstrated special circumstances excusing non-use of the Mark during the relevant period within the meaning of section 45(3) of the Act.

#### Disposition

[45] In the absence of use of the Mark in Canada during the relevant period and in view of the Registrant's failure to establish special circumstances excusing non-use of the Mark, pursuant to the authority delegated to me under section 63(3) of the Act, the registration will be expunged in compliance with the provisions of section 45 of the Act.

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Andrew Bene  
Hearing Officer  
Trade-marks Opposition Board  
Canadian Intellectual Property Office