



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

**Citation: 2011 TMOB 105**  
**Date of Decision: 2011-06-28**

**IN THE MATTER OF A SECTION 45 PROCEEDING  
requested by Ferstman Law Office against registration  
No. TMA614,974 for the trade-mark FRUTA in the name  
of S.M. Jaleel & Company Ltd.**

[1] At the request of Ferstman Law Office (the Requesting Party), the Registrar of Trade-marks forwarded a notice under s.45 of the *Trade-marks Act* R.S.C. 1985, c. T-13 (the Act) on January 20, 2009, to S.M. Jaleel & Company Ltd., the registered owner (the Registrant) of registration No. TMA614,974 for the trade-mark FRUTA (the Mark).

[2] The Mark is registered in association with the following wares:

*Mineral and aerated waters, natural and artificial, including fruit juices.*

*Non-alcoholic beverages, namely soft drinks, and concentrates for making such beverages; fruit flavoured carbonated drinks; and fruit juices for use as beverages; water beverages, namely mineral water, aerated water, spring water, purified water, flavoured water, soda water, seltzer water, carbonated water.*

[3] Section 45 of the *Trade-marks Act* requires the registered owner of a trade-mark to show whether the trade-mark has been used in Canada in association with each of the wares and/or

services listed on 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 use since that date. In this case, the relevant period for showing use is any time between January 20, 2006 and January 20, 2009.

[4] “Use” in association with wares is set out in subsections 4(1) and 4(3) 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.

[...]

(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.

In this case, s. 4(1) applies.

[5] Lastly, in the absence of use as defined above, pursuant to s.45(3) of the Act, a trade-mark is liable to be expunged, unless the absence of use is due to special circumstances.

[6] In response to the Registrar’s notice, the Registrant furnished the affidavit of Brian Erdelyi, the Chief Operating Officer (COO) of the Registrant, sworn July 16, 2009, together with Exhibits A through R. Both parties filed written submissions; an oral hearing was not held.

[7] In his affidavit, Mr. Erdelyi explains that due to special circumstances, the Registrant was not able to use the Mark in connection with “non-alcoholic beverages” in Canada during the relevant period. As such, I will discuss the evidence and the facts of the case with the express purpose of determining whether the Registrant has established special circumstances that would excuse the absence of use with “non-alcoholic beverages”, thus justifying the maintenance of the registration in whole or in part.

[8] To begin with, it is my view that when the affiant discusses special circumstances in respect of “non-alcoholic beverages”, that this is a reference to the wares described as “fruit juices for use as beverages”. I have made this determination, as the evidence brought forth to support the Registrant’s date of last use of the Mark [and ultimately, the intent to resume use of the Mark], refers to non-carbonated fruit drinks and juice. Furthermore, there is no evidence of the Mark having ever been associated with the remaining wares in the registration, and there is no clear statement providing the date of last use of the Mark with these wares. Consequently, the remaining wares will be deleted from the registration, and special circumstances will be evaluated solely in respect of the wares described as “fruit juices for use as beverages”. Thus, any reference in this decision to “non-alcoholic beverages”, should be considered to mean “fruit juices for use as beverages”.

[9] A determination of whether there are special circumstances excusing non-use involves the consideration of three criteria:

- (i) the length of time during which the mark has not been in use;
- (ii) whether the reasons for non-use were due to circumstances beyond the control of the registered owner; and
- (iii) whether there exists a serious intention to resume use shortly. [*Canada (Registrar of Trade Marks) v. Harris Knitting Mills Ltd.* (1985), 4 C.P.R. (3d) 488 (F.C.A.)]

With respect to the second criteria, “circumstances beyond the owner’s control” mean “circumstances that are unusual, uncommon or exceptional” [*John Labatt Ltd. v. The Cotton Club Bottling Co.* (1976), 25 C.P.R. (2d) 115 (F.C.T.D.)].

[10] The decision of *Smart & Biggar v. Scott Paper Ltd.* (2008), 65 C.P.R. (4th) 303 (F.C.A.) offered further clarification with respect to the interpretation of the special circumstances criteria in *Harris Knitting supra*. In particular, the Court determined that the proper test when assessing whether there are special circumstances, which would excuse non-use of a mark, must refer to the cause of the absence of use, and not to some other consideration. It would appear from this analysis, that the second criterion of the *Harris Knitting* test must be satisfied in order for there to be a finding of special circumstances excusing non-use of a mark. However, as I understand

it, this is not to say that the other two criteria are not relevant factors to consider, but just that those factors, in isolation, cannot constitute special circumstances. Indeed, the relevance of the first criterion is apparent, as reasons that may excuse a brief period of non-use, may not excuse an extended period of non-use [*Harris Knitting, supra; Re: Goldwell* (1974), 29 C.P.R. (2d) 110 (R.T.M.)]. In any event, the intent to resume use must be substantiated by the evidence (*Arrowhead Spring Water Ltd. v. Arrowhead Water Corp* (1993), 47 C.P.R. (3d) 217 (F.C.T.D.); *NTD Apparel Inc. v. Ryan* (2003), 27 C.P.R. (4th) 73 (F.C.T.D.)).

[11] I will now turn to the application of the special circumstances test as described above, to determine if the Registrant has satisfied such criteria with respect to the wares described as “fruit juices for use as beverages”.

*The Length of Time During Which the Mark Has Not Been in Use*

[12] In his affidavit, Mr. Erdelyi explains that the Registrant introduced its FRUTA brand non-alcoholic beverages in Canada in 2004. He explains that at that time, these beverages were either manufactured by the Registrant in Trinidad & Tobago, or by Cott Beverages Canada, a division of Cott Corporation (Cott), pursuant to a co-packing arrangement with the Registrant.

[13] Mr. Erdelyi further explains that the FRUTA brand non-alcoholic beverages manufactured and packed by Cott were then delivered to the Registrant, who in turn sold the beverages to distributors for distribution in Canada, among other countries. He states that occasionally, such beverages were sold directly by Cott to distributors. He provides as Exhibits “B” and “C”, copies of purchase orders to demonstrate transfers of the FRUTA brand non-alcoholic beverages from Cott to the Registrant and from Cott to distributors, and an invoice as evidence of a sale made by the Registrant to a Canadian distributor. I note that the invoice is dated May 19, 2004, and lists a number of FRUTA branded fruit beverages in the body of the invoice. Similarly, the purchase orders contain a list of FRUTA branded fruit beverages, and range in date from January to September of 2005.

[14] Lastly, as further evidence in respect of the date of last use of the Mark, Mr. Erdelyi provides as Exhibit “D”, copies of labels, clearly displaying the Mark in association with fruit drinks and juice. He attests that these labels are representative of the labels that were affixed to

the non-alcoholic beverages covered by the subject registration that were sold in Canada in 2004-2005.

[15] Mr. Erdelyi then explains that the Registrant was unable to use the Mark during the relevant period due to events, which I will elaborate below, that began with loss of the Registrant's Canadian distributor in 2005. Thus, the period of non-use is just over three years.

*Were the Reasons for Non-use Due to Circumstances Beyond the Control of the Registrant?*

[16] The reasons brought forth in Mr. Erdelyi's affidavit for non-use were due to the loss of the Registrant's Canadian distributor in 2005, and the subsequent loss of the Registrant's Canadian co-packer Cott in February of 2006. Such losses occurred as both the distributor and co-packer underwent financial difficulties and unilaterally terminated their relationships with the Registrant. Mr. Erdelyi further explains that as a result of the loss of the Registrant's co-packer, the Registrant had to re-organize its manufacturing chain, with the manufacturing of the FRUTA brand non-alcoholic beverages for distribution in Canada shifting entirely to the Registrant's Trinidad & Tobago manufacturing facility. Although no evidence has been submitted in this respect, it stands to reason that this re-organization would involve a period of adjustment to allow for additional production in Trinidad & Tobago. Adding further to the Registrant's difficulties was that as a consequence of this shift in manufacturing, Mr. Erdelyi explains that the costs associated with importing the beverages negatively impacted distributors' profit margins, thus making distribution less attractive to potential distributors.

[17] Mr. Erdelyi further explains that contemporaneous with the loss of both the Registrant's Canadian co-packer and distributor, the Registrant experienced substantial changes in key personnel which negatively affected its ability to reintroduce FRUTA branded non-alcoholic beverages to the Canadian market. In particular, as a consequence of the loss of the Registrant's Canadian co-packer and distributor, among other business-related challenges, the then Vice-President of Global Business Development, was transferred from Canada to the United States, eventually departing from the Registrant in June 2007. I note however, that the circumstances of his departure have not been described. Furthermore, the decision to transfer this individual

from Canada to the United States appears to have been a voluntary act on behalf of the Registrant, rather than a circumstance beyond its control.

[18] Mr. Erdelyi does explain however, that another key employee, the Vice-President of Corporate Sales, a long-standing employee with the Registrant, responsible for international distribution arrangements including that of the FRUTA brand products in Canada, was on medical leave of absence from the Registrant for most of 2006. This, he attests directly impacted the Registrant's ability to secure distribution for the FRUTA brand of non-alcoholic beverages in Canada.

[19] In summary, the reasons for non-use simply recited are the loss of the Registrant's Canadian distributor, the loss of the Registrant's Canadian co-packer and manufacturer, and the loss of key personnel. These events were successive, with the latter two reasons having an adverse impact on the Registrant's ability to secure a new distributor. Lastly, as will be discussed below, an additional factor impacting the Registrant's ability to secure a new distributor was the nature of the Registrant's products.

[20] The Requesting Party argues that the Registrant has failed to establish special circumstances. Specifically, it argues that the Registrant has failed to show that the loss of a distributor is a unique circumstance that justifies the absence of use for three years. As support, it cites the case of *Blain Supply v. Quality Craft Importers* 2009 CarswellNat 1753, in which it was found that "a delay in a potential purchaser placing an order is not an exceptional circumstance."

[21] That case however, is distinguishable in many aspects. In that case, the Registrant voluntarily and deliberately held off using its trade-mark in hopes of securing an exclusive deal with Walmart. Moreover, it was found that "nothing prevented the Registrant from using its Mark by selling its wares through channels of trade other than Walmart." In the present case, the Registrant made no such choice. The loss of its distributor was a circumstance beyond the control of the Registrant. Furthermore, the Registrant was not seeking to replace its distributor with an exclusivity arrangement, but was actively searching merely for a 'suitable' distributor. In addition, there were extenuating factors that prevented the Registrant from locating a suitable

distributor, such as the loss of key personnel, as well as the increased costs (as discussed above) incumbent upon a potential distributor following the loss of the Registrant's Canadian manufacturer. Mr. Erdelyi also explains that the unique nature of the Registrant's products requires distributors with expertise in the ethnic beverage market, thus effectively narrowing the pool of potential distributors.

[22] I will add that in *Blain, supra*, the Registrant did not provide any evidence that showed use of the Mark at *any* time prior to its discontinuance, nor did it provide any documentary evidence of its negotiations with Wal-Mart. In contrast, in the present case, the Registrant has shown when the Mark was last in use, and has provided evidence with respect to its attempts to secure a new distributor (see discussion below regarding "intent to resume use").

[23] In my view, the cumulative nature of the circumstances of the present case is "unusual, uncommon, and exceptional," and qualifies as "circumstances not found in most cases of absence of use of the mark." (see *Scott, supra*). That being said, there are many cases in which the loss of a distributor or comparable link in the chain of commerce, factors affecting manufacturing capacity, or the loss of key personnel were accepted as circumstances that could constitute special circumstances to excuse the absence of use for a certain period of time [see for example *Wolfe & Bazinet v. Labelmasters Canada Inc.* (1995), 60 C.P.R. (3d) 106 (T.M.O.B.); *Rogers, Bereskin & Parr v. Canada (Registrar of Trade Marks)* (1987), 17 C.P.R. (3d) 197 (F.C.T.D.); *Hughes v. Welmaid Products, Inc.* (1988), 20 C.P.R. (3d) 540 (T.M.O.B.); *Ridout & Maybee v. Sealy Canada Ltd./Ltée* (1998), 83 C.P.R. (3d) 276 (T.M.O.B.); *Sim & McBurney v. Hugo Boss AG* (1996), 67 C.P.R. (3d) 269 (T.M.O.B.)].

[24] In the present case, I accept that the loss of the Registrant's Canadian distributor, its Canadian co-packer and manufacturer, and key personnel, were factors beyond its control that cumulatively disrupted the Registrant's business activities and its ability to sell its FRUTA branded non-alcoholic beverages in Canada. Furthermore, I accept that the nature of the Registrant's products necessitated a longer search to locate a suitable Canadian distributor, a factor that only exacerbated an already difficult set of circumstances. In view of the above, I am of the view that the Registrant has satisfied the requisite second criterion of the special circumstances test. I will note however, that had the period of non-use extended any longer, my

conclusion might not have been the same. I will now assess whether the Registrant has shown a serious intention to resume use of its Mark.

*Does There Exist a Serious Intention to Resume Use in the Near Future?*

[25] With respect to the Registrant's efforts to locate a new co-packer and distributor in Canada and thus re-introduce the FRUTA brand non-alcoholic beverages to the Canadian market during the relevant period, Mr. Erdelyi outlines such efforts and the difficulties experienced by the Registrant.

[26] To begin with, he explains that employees of the Registrant attended several industry specific trade-shows in 2006 in an effort to secure a distribution network in Canada for FRUTA brand non-alcoholic beverages. Despite participating in these trade-shows, nothing came to fruition.

[27] The Registrant continued its efforts to locate a new Canadian distributor, and as part of those efforts, hired the affiant himself, early on in 2007, as its new Chief Operating Officer. Mr. Erdelyi attests that as Chief Operating Officer, one of his objectives was to rectify the Registrant's relationship with Cott. Ultimately however, Cott was unable to resume responsibility for the manufacture and co-packing of the Registrant's FRUTA products.

[28] Nevertheless, the Registrant continued its search for a new Canadian distributor and co-packer in efforts to resume use of its Mark in Canada. As evidence of such continuing efforts, Mr. Erdelyi attaches as Exhibits "F", "G", and "H", heavily redacted weekly project reviews. Mr. Erdelyi attests that these reviews outlined progress on various initiatives in which he was engaged in connection with the distribution of the Registrant's products throughout the world, including developments related to the search for a co-packer and distributor of FRUTA brand products in Canada. When viewed together with Mr. Erdelyi's sworn statements, the Registrant's efforts during the period from October 2007 until July 2008 vaguely comprised of identifying and setting up appointments with Canadian distributors, and mention of an upcoming undated meeting with the president of a potential co-packer/distributor.



[30] Finally, in the fall of 2008, clearly within the relevant period, serious discussions began with a Canadian distributor. Mr. Erdelyi attests that these discussions began via telephone calls and culminated with a meeting on January 8, 2009, where the terms of an agreement for distribution of FRUTA brand non-alcoholic beverages were finalized. As evidence of these meetings, Mr. Erdelyi attaches as Exhibits “I” and “J”, e-mails between Mr. Erdelyi and a representative of the Canadian distributor. Further to this, Exhibit “K” is a copy of an e-mail dated January 9, 2009, wherein the Canadian distributor expresses immediate interest in distributing FRUTA brand non-alcoholic beverages. The Canadian distributor then completed a credit application form submitted through e-mail on January 25, 2009 (Exhibit “L”), and placed their first order for FRUTA brand non-alcoholic beverages on January 28, 2009, revised on January 30, 2009. E-mail confirmation of this order is produced as Exhibit “M”, and a copy of part of the revised order is provided as Exhibit “N”, indicating an order for hundreds of cases of FRUTA brand non-alcoholic beverages.

[31] Since this initial order, Mr. Erdelyi attests that the Registrant has sold in excess of 6000 cases of FRUTA products to its new Canadian distributor for distribution in Canada. He attaches representative samples of invoices as Exhibit “O”, as evidence of such sales. He explains that the Registrant’s Canadian distributor, in turn, sells the FRUTA brand non-alcoholic beverages to supermarkets and small to mid-size corner variety stores in the Greater Toronto Area. He provides as Exhibit “P”, a copy of an invoice demonstrating such a sale, and photographs (Exhibit “Q”) taken in the spring of 2009, showing the Registrant’s FRUTA brand non-alcoholic beverages on display at a Canadian supermarket in Mississauga, Ontario. Lastly, he provides as Exhibit “R”, copies of labels that are currently affixed to the Registrant’s non-alcoholic beverages that are distributed in Canada by the new Canadian distributor. The Mark is clearly visible on the label. All of the above-noted evidence is in respect of non-carbonated fruit drinks and juice. In view of the above, I am satisfied that the Registrant has resumed use of its Mark in Canada in association with “*fruit juices for use as beverages*”.

[32] In evaluating this third criterion, I am satisfied, in view of the evidence as a whole, that the Registrant made continuing efforts to resume use of its Mark during the relevant period, and that concrete steps have been demonstrated, which ultimately resulted in the reintroduction of FRUTA brand non-alcoholic beverages in Canada. I will further add that as the discussions with

the Registrant's new Canadian distributor commenced prior to issuance of the s.45 notice, and given the volume of sales resumed, it is clear that such efforts demonstrate that the Registrant was not "merely going through the motions in order to avoid expungement" (*Clark O'Neill Inc. v. PharmaCommunications Group Inc.* (2004), 30 C.P.R. (4th) 499). I therefore conclude that the Registrant has shown a serious intention to resume use of its Mark.

[33] In view of the above, I conclude that special circumstances have been shown that excuse non-use of the Mark in association the wares described as "*fruit juices for use as beverages*". Use has not been shown, nor have special circumstances been advanced with respect to the remaining registered wares. Consequently, pursuant to the authority delegated to me under s.63(3) of the Act, the registration will be amended in compliance with the provisions of s.45 of the Act, to delete the following wares:

*Mineral and aerated waters, natural and artificial, including fruit juices.*

*Non-alcoholic beverages, namely soft drinks, and concentrates for making such beverages; fruit flavoured carbonated drinks; water beverages, namely mineral water, aerated water, spring water, purified water, flavoured water, soda water, seltzer water, carbonated water.*

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Kathryn Barnett  
Hearing Officer  
Trade-marks Opposition Board  
Canadian Intellectual Property Office