

SECTION 45 PROCEEDINGS  
TRADE-MARK: KING COBRA  
REGISTRATION NO: TMA 337,189

At the request of Messrs. Sim & Mc Burney, the Registrar forwarded a notice under section 45 of the *Trade-marks Act* on June 3, 2004 to Anheuser-Busch, Incorporated, the registered owner of the above referenced trade-mark.

The trade-mark KING COBRA is registered for use in association with:

- (1) Beer, ale and porter
- (2) Beer, namely malt liquor

Section 45 of the *Trade-marks Act*, R.S.C. 1985, c. T-13, 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/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 June 3, 2001 and June 3, 2004.

Use in association with wares is set out in subsection 4(1) of the *Trade-marks Act*:

A trade-mark is deemed to have been 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.

Special provisions relating to the export of wares are contained in subsection 4(3) of the *Act* and do not apply in the present proceedings.

In response to the Registrar's notice, the registrant furnished the affidavit of John Hanichak, Vice President of Field Operations for Anheuser-Busch International, Inc. The Registrant filed a written submission and both parties were represented an oral hearing.

In his affidavit, Mr. Hanichak states that his company (Anheuser-Busch International, Inc.) and the registrant (Anheuser-Busch, Incorporated) are wholly owned subsidiaries of Anheuser-Busch Companies, Inc. Collectively these companies are referred to as "Anheuser-Busch" in the affidavit. Mr. Hanichak states that his company is responsible for Canadian operations and he has been employed by Anheuser-Busch since December 1976; his current responsibilities include overseeing brand sales in Canada. The affidavit makes no mention of the sales or otherwise of ale and porter. At the hearing the registrant indicated that it made no claim to use of the subject mark on "ale and porter" only on "malt liquor".

Mr. Hanichak admits in his affidavit that there have been no sales of "malt liquor" in Canada during the relevant period; the issue therefore becomes whether or not the affidavit establishes facts from which a conclusion can be made that the absence of use is due to special circumstances that excuse the non-use.

### **Evidence**

I turn now to the relevant portions of the affidavit. In paragraph 3 Mr. Hanichak states that KING COBRA is a naturally brewed, full-bodied malt liquor beer, with a higher alcohol content than most other beers sold by Anheuser-Busch. He states further that KING COBRA was first introduced in the United States in 1984, and has been sold there continuously ever since. KING COBRA is actively marketed and advertised in the United States, and Anheuser-Busch spent over \$9 million (US) in advertising, merchandising and promoting the sale of KING COBRA beer in the nine years from 1995 to 2003. In paragraph 4 Mr. Hanichak states that KING COBRA beer is particularly popular with the African-American population in the US and much of the advertising for the product is designed to reach this market segment.

In paragraph 5 Mr. Hanichak states that Anheuser-Busch's records about KING COBRA product in Canada are not complete. He states that the records suggest that KING COBRA beer was first sold in Canada around December 1987, and was being sold through the LCBO in Spring/Summer of 1994, but that sales ceased sometime after 1994. Exhibit C consists of correspondence to the LCBO from Anheuser-Busch International, Inc., dated March 14, 1994 and April 14, 1994 respectively. I note that neither letter provides any evidence of actual sales, but rather they suggest an agreement was reached with the LCBO concerning price, packaging and requirements for case markings.

Reasons given by Mr. Hanichak for the absence of use of KING COBRA beer in Canada since 1994 are that (1) the registrant's U.S. advertising strategies would not be effective in Canada given the small size of corresponding target market in Canada, and the need therefore to reposition the brand for sale in Canada; and (2) the need to convince a Canadian agent to accept the brand in the face of these marketing difficulties.

Mr. Hanichak asserts an intention to resume use and some activities related thereto. He indicates that discussions were initiated in August of 2001 with Labatt Brewing Company Limited, the registrant's primary agent in Canada, concerning possible sales of KING COBRA in Canada, but no agreement was reached at that time. I note that no details are provided concerning these discussions; in particular, no reason is given for not reaching an agreement. Two years later, in August 2003, it appears that this issue was raised again internally, when Mr. Hanichak states "that Anheuser-Busch made a determination to reintroduce KING COBRA in Canada". He states that Labatt indicated early in September 2003 that it was prepared to sell the KING COBRA brand in Canada.

I note that no details of any steps taken regarding the resumption of use between August 2001 and August 2003 are provided, nor any reasons given for this 2 year hiatus in discussions. Nor, for example, is there any indication that Anheuser-Busch was actively attempting to locate an alternative agent. Subsequently, there was another unexplained hiatus of approximately 10 months until meetings took place June 1- 2, 2004 (one day

prior to the date of the s.45 notice) between Labatt and Anheuser-Busch where it was determined that the reintroduction in Canada would likely take place in by October 31, 2004.

In paragraph 10, Mr. Hanichak states that the KING COBRA brand was in fact reintroduced in Canada in November 2004. He attaches as Exhibit D a copy of artwork for the Canadian packaging for KING COBRA beer, which was finalized in October 2004. I note that this is after the date of the s.45 notice and no indication is given as to when preparation of the artwork commenced. Exhibit E is a copy of an invoice relating to the sale of KING COBRA beer to Labatt in Alberta on November 12, 2004. Exhibit F is the front page of the Connect Logistics Services Inc. product list (distributor of spirits, wines and non-domestic beer for Alberta Gaming and Liquor Commission) and a page that lists KING COBRA. Exhibit G consists of photographs of the KING COBRA product displayed for sale in Alberta, in November 2004.

Mr. Hanichak concludes with the statement that it is not unusual for it to take 18 months or so to bring a product to market, especially a product whose existing marketing strategies do not fit with the intended market.

### **Special Circumstances**

In order to establish special circumstances the registered owner must provide the date when the trade-mark was last in use and the reason for the absence of such use since that date (s. 45(1) of the *Act*); where absence of use has not been due to special circumstances that excuse the absence of use, the registration is liable to be expunged or amended accordingly (s. 45(3)). The absence of a date of last use is not fatal; generally the registration date or the date of assignment of the mark to the current owner will be used (*GPS (U.K.) v Rainbow Jean Co.* 58 C.P.R. (3d) 535). The law is well established that three criteria must be considered in assessing whether or not there are circumstances that would excuse non-use; firstly, the length of time during which the trade-mark has not been used; secondly, whether the registered owner's reasons for not using its trade-mark were due to circumstances beyond his control; and thirdly, one must find whether there a

exists a serious intention to shortly resume use (*Registrar of Trade-marks v. Harris Knitting Mills Ltd.*, 4 C.P.R. (3d) 488 (F.C.A.)).

With respect to what constitutes circumstances beyond the owner's control, this "refers to circumstances which are "special" in the sense of being peculiar or abnormal and which are experienced by persons engaged in a particular trade as the result of the working of some external forces as distinct from the voluntary acts of any individual trader" (*John Labatt Ltd. V The Cotton Club Bottling Co.*, 25 C.P.R. (2d) 115 at p.125). In the *Harris Knitting Mills* case, above, the court clarified that "special circumstances" must be those "not found in most cases of absence of use of a mark". The Court went on to say:

It is impossible to state precisely what the circumstances referred to in subsection 44(3) [45(3)] must be to excuse the absence of use of a mark. The duration of the absence of use and the likelihood it will last along time are important factors in this regard, however; circumstances may excuse an absence of use for a brief period of time without excusing a prolonged absence of use. It is essential, as well, to know to what extent the absence of use is due solely to a deliberate decision on the part of the owner of the mark rather than to obstacle beyond his control. It is difficult to see why an absence of use due solely to a deliberate decision by the owner of the mark would be excused.

A review of two leading cases on the subject - *Ridout & Maybee v. Sealy Canada Ltd.*, 87 C.P.R. (3d) 307 (F.C.T.D.) aff'g 83 C.P.R. (3d) 276, and *Oyen Wiggs Green & Mutala v Pauma Pacific Inc.*, 84 C.P.R. (3d) 287 (F.C.A.) aff'g 76 C.P.R. (3d) 48, indicates that in circumstances where the period of non-use is not too long, (i.e. approximately 3 years in those cases), **and** where an intention to resume use has been shown to have existed prior to issuance of the s.45 notice, in the form of steps taken during the relevant period, **and** where there was actual resumption of use, the failure of the owner to demonstrate acceptable circumstances beyond his control (criterion two of *Harris Knitting Mills* test), is not fatal. In both cases, it appears that active and concrete steps directed toward resumption of use were detailed in the evidence.

However, in the recent decision of the Federal Court in *Smart & Biggar v. The Attorney General of Canada and Scott Paper Limited* (unreported decision: 2006 FC 1542), where the period of non-use was 13 years, the Court overturned the Registrar's decision which had followed the line of reasoning in *Ridout & Maybee* and *Oyen Wiggs*. In so doing Strayer J stated at paragraph 11:

I find it difficult to understand, as a matter of law, how a bona fide intention to use a trade-mark, even though formed prior to service of a notice under section 45, can “excuse the absence of use” for 3 years, considering that those 3 years were preceded by another 10 years in which it was not used. Would one “excuse” a truant schoolboy for an absence of a month because, when confronted, he demonstrated that although he had no explanation for his past absences he genuinely intended to go to school the next week?”

I note that in the *Smart & Biggar* case, unlike the *Ridout & Maybee* and *Oyen Wiggs* cases, not only was the period of non-use 13 years, but no reasons at all were given for the absence of use. Furthermore, there was no indication that the mark had ever been used in Canada at all.

(i) Date of Last Use

Turning to the calculation of the date of last use in these proceedings, the requesting party submitted that there were insufficient facts from which to determine the date of last use and accordingly the date of registration (February 1988) should be used (*GPS (U.K.) v Rainbow Jean Co.*, (*supra*)), and a conclusion drawn that the subject mark had not been in use for a period of 16 years. Further, the requesting party argued that given that the putative period of non-use was 16 years, the facts in this case did not fit the decisions in *Ridout & Maybee v. Sealy Canada Ltd.* 87 C.P.R. (3d) 307 and *Oyen Wiggs Green & Mutala v. Pauma Pacific Inc.*, 84 C.P.R. (3d) 287. Rather, the requesting party submitted that the facts were more in line with the recent decision in *Smart & Biggar v Scott Paper Limited* (*supra*).

The registrant maintained that the facts in this case fit squarely within *Ridout & Maybee v. Sealy Canada Ltd.*, (*supra*) since the period of non use should only be calculated from 1994 (approximately 10 years), and furthermore there existed a serious intention to reuse the mark during the relevant period, and actual use of the subject mark was resumed.

With respect to the requirement of a date of last use, I cannot accept the 1994 letters to the LCBO as support to establish a date of last use. In fact, they raise more questions than they answer. This is particularly so in view of Mr. Hanichak's vague statements regarding their relevance and the absence of any information regarding sales in Canada at the time those letters were written. In my view, without further detail, these letters simply suggest negotiation of packaging and labelling compliance and are in no way confirmation that actual sales occurred. Even if I were prepared to accept 1994 as the date of last use, there would still be a period of non-use of approximately 10 years – a lengthy period of time.

(ii) Serious Intention to Resume Use

With respect to the requirement of a serious intention to resume use, while it does appear that there were actual sales in Canada of the KING COBRA malt liquor beer subsequent to the s.45 notice, other than a reference to a meeting in August 2001, and again in August of 2003, it appears that no final decision to re-introduce KING COBRA occurred until June 1-2 of 2004. I therefore am unable to conclude that concrete steps took place within the relevant period with respect to resumption of sales of the product, beyond boardroom discussion about which we have no details. In the context of Mr. Hanichak's aforementioned reasons for non use, one might have expected particulars of progress in marketing plans for repositioning the brand in Canada, and/or details of a search for an agent willing to distribute the product in Canada.

(iii) Reasons Beyond the Registrant's Control

With respect to the whether or not the reasons for non-use were beyond the registrant's control, Mr. Hanichak states that there was a need to reposition the brand for sale in

Canada; and the need to convince a Canadian agent to accept the brand in the face of these marketing difficulties. No particulars regarding the challenges of, or progress towards, market repositioning, and/or a search to find a willing agent/distributor in Canada are provided. Without more detailed reasons, market conditions are not generally considered to be circumstances beyond the registrant's control that would excuse non-use for a period of 16 years (*Registrar of Trade-marks v. Harris Knitting Mills Ltd.*, 4 C.P.R. (3d) 488 (F.C.A.); *Lander Co. Canada Ltd. v Alex E MacRae & Co.* 46 C.P.R. (3d) 417).

Furthermore, while one can appreciate Mr. Hanichak's statement that it can take 18 months to launch a product on the market after the intention to re-use has been formed, it is difficult to see how such logistical requirements could excuse the non use since it appears that the final determination to re-use was not made until the end of the relevant period, the day before the s.45 notice was issued. It appears that market conditions and the necessity for repositioning brands, were simply factors that influenced the registrants' voluntary decision not to use the mark. In the present proceedings the evidence tends simply to show that a marketing decision was made to resume use after a substantial period of non-use. Unfortunately it appears that the decision was made too late to excuse the non-use during the relevant period.

I find as well that the decision of the Federal Court in the *Smart & Biggar* case, (*supra*), is determinative in this matter, in that Strayer J states at paragraph 13:

In the *Ridout and Maybee* case, above, in the Trial Division, the learned Trial judge found that the period of non-use was scarcely more than 3 years. While he found that the registrant had not proved that the non-use was due to special circumstances beyond its control, there was clear evidence that during the relevant period it planned to recommence use of the mark and had done so after the notice was served. These facts are far different from those in the present case where there had been non-use for 13 years; in fact there was no evidence of use by this registrant at any time prior to the delivery of notice under section 45. *With respect, I am also inclined to give far more weight to the fact that the SHO found*



*that the non-use was not due to circumstances beyond the control of the registrant.* I believe that the application of this factor to deny and excuse would be consistent in law with the position of the Federal Court of Appeal in the *Registrar of Trade-marks v. Harris Knitting Mills Ltd. Case*, above. (Emphasis Added)

In other words, where there has been a long period of non-use, one must place more weight on the requirement of the owner to establish circumstances beyond his control; this is so even where there has been actual resumption of use of the mark.

In the present case, there is a lengthy period of non-use –16 years, and special circumstances have not been demonstrated, and furthermore active, concrete steps taken to resume use during the relevant period are not sufficiently detailed. I therefore cannot conclude that the registrant has demonstrated special circumstances that would excuse non-use within the meaning of s.45.

In view of all of the foregoing, it is my conclusion that the registrant registration TMA 337,189 for the trade-mark KING COBRA ought to be expunged pursuant from the Register, for failure to show use pursuant to Section 45 of the *Trade-marks Act*.

DATED AT GATINEAU, QUEBEC, THIS 11<sup>th</sup> DAY OF APRIL 2007.

P. Heidi Sprung

Member, Trade-marks Opposition Board