



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

**Citation: 2013 TMOB 133
Date of Decision: 2013-08-20**

**IN THE MATTER OF A SECTION 45
PROCEEDING requested by Przedsiębiorstwo
Polmos Białystok Spółka Akcyjna against
registration No. TMA630,455 for the trade-mark
GRASOVKA in the name of Underberg AG.**

[1] On June 27, 2011 at the request of Przedsiębiorstwo Polmos Białystok Spółka Akcyjna (the Requesting Party), the Registrar forwarded a notice under section 45 of the *Trade-marks Act* RCS 1985, c T-13 (the Act) to Underberg AG (the Registrant), the registered owner of registration No. TMA630,455 for the trade-mark GRASOVKA (the Mark).

[2] Subsequent to the issuance of the notice, the Requesting Party informed the Registrar that due to a merger, the Requesting Party had changed its name to CEDC International Sp. Z O.O. This change is not at issue in this proceeding.

[3] The Mark is registered for use in association with “spirits and liqueurs, namely, flavoured vodka” (the Wares).

[4] 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 is between June 27, 2008 and June 27, 2011.

[5] In response to the section 45 notice, the Registrant furnished the affidavit of Frank Barwinski, an Executive Officer of Underberg GmbH & Co. KG, a subsidiary of the Registrant, sworn on September 22, 2011. Both parties filed written representations; an oral hearing was not held.

[6] In his affidavit, Mr. Barwinski attests that the Registrant is “a family-owned, globally active company” that has manufactured and sold GRASOVKA brand flavoured vodka in Europe since 1977. He states that, in 2004, the company decided to commence exports of such to Canada. In this respect, he attests to a one-time sale of GRASOVKA vodka to the Liquor Control Board of Ontario (the LCBO), prior to the relevant period, in September 2005. However, he further states that the Registrant “has been unable to use the GRASOVKA trade mark in Canada in commercial quantities during the past three years”. Accordingly, the issue in this case is whether special circumstances existed, pursuant to section 45(3) of the Act, to excuse non-use of the Mark in association with the Wares during the relevant period.

[7] 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. 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.

[8] Mr. Barwinski attributes the Registrant’s non-use of the Mark during the relevant period to Health Canada regulations regarding the content and ingredients of alcoholic

beverages. Specifically, he cites a federal government regulation that restricts coumarin, a naturally occurring chemical found in bison grass, from alcoholic beverages. However, he states that bison grass is “fundamental” to the “unique, award-winning, spicy aroma” of the Registrant’s vodka, and that its formulation has been sold “in many countries of the world since 1977”. As such, Mr. Barwinski attests that the Registrant would have been “ready, willing and able” to distribute the Wares in Canada but for the Health Canada restrictions on coumarin.

[9] To this effect, he provides copies of a purchase order and invoice with respect to the aforementioned sale of the Wares to the LCBO by the Registrant in 2005. However, subsequent to the sale, Mr. Barwinski explains that the Wares were destroyed by the LCBO due to the presence of coumarin. He attests that because of this regulation, the Registrant has been working to reformulate the Wares such that the coumarin levels are acceptable to Health Canada and, by extension, to the LCBO. In anticipation of the Registrant’s newly formulated vodka recipe, Mr. Barwinski provides samples of the new bottle labels produced to reflect this change.

[10] In support, he provides the following exhibits:

- **Exhibit B** is sections of the LCBO’s “Product Packaging Standards” and “Quality Assurance Guidelines for Chemical Analysis”, published February 1, 2011, in which it stipulates that the maximum allowable level for coumarin in alcoholic beverages is 100 µg/L.
- **Exhibits C, D and H** are copies of correspondence from the LCBO to the Registrant dated August 6, 2004, September 29, 2004, and November 9, 2007, respectively. In each letter, the LCBO rejects the labels that the Registrant submitted for approval because, in part, the product contained coumarin. I note that these exhibits also contain copies of the labels displaying the Mark and the address of the Registrant’s Canadian importer, supporting the Registrant’s claim that the labels were otherwise ready for use in the Canadian market. Further, I would note that the letter dated November 9, 2007 advises the Registrant to work towards eliminating the presence of coumarin.

- **Exhibits E, F, and G** are copies of correspondence between the LCBO and the Registrant regarding the aforementioned purchase order for 10 cases of “GRASOVKA BISON VODKA” in September 2005. I note that Exhibit G is a \$109.23 invoice from the LCBO to the Registrant dated April 2006, whereby the LCBO informed the Registrant that it destroyed the Wares purchased in September 2005. The invoice states that “These costs are the result of the product failing to comply with regulated quality standards for consumption of beverage alcohol.”
- **Exhibit I** contains samples of the proposed labels for the Registrant’s newly formulated coumarin-reduced vodka. I note that the label dated August 11, 2010 reads “flavoured with an *extract* of the Bison grass blade” (emphasis added) as opposed to the previous labels which read “enriched with a blade of Bison grass”.
- **Exhibits J through N** are copies of letters of authorization whereby the Registrant has appointed a Canadian agent to distribute the Wares in Ontario, British Columbia, Saskatchewan, and Alberta. I note that these agreements were executed in May 2011, approximately one month before the section 45 notice issued.
- **Exhibit O** contains a copy of the “Best in Class” certificate awarded to the Registrant at the 2011 International Wine & Spirits Competition. Although the certificate appears to be from a European competition, Mr. Barwinski attests that the Registrant “is committed to promoting the award winning GRASOVKA brand flavoured vodka in Canada and around the world.”
- **Exhibit P** consists of pictures of a GRASOVKA brand vodka bottle, which Mr. Barwinski attests was “recently produced for eventual sale to the Canadian market”. I note the presence of the Exhibit I labels on the bottle.

Length of time during which the trade-mark has not been in use

[11] As noted above, Mr. Barwinski attests that the Wares were sold to the LCBO for retail purposes in September 2005. The Requesting Party disputes that this sale amounted to use of the Mark because it did not occur in the Registrant's normal course of trade, as the Wares were never sold to consumers. Consequently, the Requesting Party submits that the registration date, January 18, 2005, should be used for the purpose of calculating the length of non-use.

[12] However, I agree with the Registrant that the date of last use should be considered to be September 2005, as attested to by Mr. Barwinski. Notwithstanding the ultimate disposal of the product, the sale to the LCBO constitutes a sale in Canada along the Registrant's chain of distribution in the normal course of trade [see *Lin Trading Co v CBM Kabushiki Kaisha* (1988) 21 CPR (3d) 417 (FCA)]. In any event, whether January or September 2005 is used to determine the period of non-use, in my view, the difference is immaterial to the analysis; thus, at the time the section 45 notice was issued, the length of non-use was approximately six years.

Whether non-use was beyond the control of the Registrant

[13] The evidence provided by the Registrant demonstrates that, on at least four separate occasions, the LCBO refused to distribute the Registrant's vodka because of Health Canada restrictions on the use of coumarin in alcoholic beverages. However, the Requesting Party asserts that Health Canada's coumarin restrictions are neither special nor beyond the Registrant's control, as "all food and beverage products sold in Canada are subject to Canada's food safety regulations". Furthermore, the Requesting Party submits that there was nothing preventing the Registrant from selling a different type of flavoured vodka and that the Registrant is "unwilling to modify [its product] for the Canadian market". In response, the Registrant asserts that it could not have simply eliminated the coumarin from the Wares without significantly changing the nature of the product, for which it has garnered international recognition.

[14] As noted by the Registrant, difficulties experienced in complying with Canadian food standards have been held to be a special circumstance excusing non-use [*Cassels Brock & Blackwell LLP v Montorsi Francesco E Figli - SpA* (2004), 35 CPR (4th) 35

(FC)]. Furthermore, efforts to comply with regulations and industry standards certification can be considered an external force and not the voluntary decision of a foreign importer [see *Spirits International NV v Canada (Registrar of Trade-Marks)* (2006), 49 CPR (4th) 196 (FC), aff'd (2007) 60 CPR (4th) 31 (FCA)]. As the Registrant's compliance efforts are in evidence before me, in view of the jurisprudence and the unique nature of the Registrant's Wares in this case, I agree with the Registrant that the Health Canada restrictions on coumarin constituted the reason for non-use of the Mark and were beyond the Registrant's control.

Whether there exists a serious intention to shortly resume use

[15] While the reason for non-use may have been beyond the Registrant's control, the intent to resume use must be substantiated by the evidence [see *Arrowhead Spring Water Ltd v Arrowhead Water Corp* (1993), 47 CPR (3d) 217 (FCTD); *NTD Apparel Inc v Ryan* (2003), 27 CPR (4th) 73 (FCTD)]. In this case, Mr. Barwinski attests to preparing its product for sale in Canada by developing a "coumarin free/reduced coumarin recipe for its GRASOVKA brand vodka". He further attests that "it is anticipated that the coumarin-free/reduced coumarin vodka will be available for sale in Canada soon and almost certainly by 2012". The sample labels and pictures at Exhibits I and P support these statements, as do the exhibited distributorship agreements. Noting that those agreements pre-date the section 45 notice, it would appear that the Registrant is, in fact, prepared to sell its product to Canadian consumers once it receives approval to do so by the government-designated importers, such as the LCBO.

[16] In view of the foregoing, I am satisfied that the reasons for non-use were beyond the Registrant's control and that the length of non-use was reasonable in the circumstances. As of the date of this decision, whether the Registrant has actually commenced sales of the Wares in association with the Mark in Canada is, of course, not in evidence before me. However, the evidence shows that the Registrant has a serious intention to shortly resume use and, with respect to the third criterion, this is all that is required.

Disposition

[17] Accordingly, I am satisfied that the Registrant has demonstrated special circumstances excusing non-use of the Mark during the relevant period within the meaning of section 45(3) of the Act.

[18] 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 maintained.

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