



Canadian Intellectual Property Office

THE REGISTRAR OF TRADEMARKS

Citation: 2023 TMOB 219

Date of Decision: 2023-12-18

IN THE MATTER OF A SECTION 45 PROCEEDING

Requesting Party: Gowling WLG (Canada) LLP

Registered Owner: Winebow, Inc.

Registration: TMA794230 for HIGH NOTE

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. TMA794230 for the trademark HIGH NOTE (the Mark), owned by Winebow, Inc. (the Owner).

[2] The Mark is registered for use in association with “Wine” (the Goods).

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

THE PROCEEDING

[4] At the request of Gowling WLG (Canada) LLP (the Requesting Party), the Registrar of Trademarks issued a notice to the owner under section 45 of the Act on April 4, 2022.

[5] The notice required the Owner to show whether the Mark had been used in Canada in association with the goods 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 use since that date. In this case, the relevant period for showing use is April 4, 2019 to April 4, 2022 (the Relevant Period). In the absence of use, the registration is liable to be expunged, unless the absence of use is due to special circumstances.

[6] The relevant definition of use 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] It is well accepted that the threshold for establishing use in these proceedings is low [*Woods Canada Ltd v Lang Michener* (1996), 71 CPR (3d) 477 (FCTD)], and evidentiary overkill is not required [*Union Electric Supply Co Ltd v Registrar of Trade Marks* (1982), 63 CPR (2d) 56 (FCTD)]. However, sufficient facts must still be provided to permit the Registrar to arrive at a conclusion of use of the Mark in association with the goods specified in the registration during the relevant period.

[8] In response to the Registrar's notice, the Owner furnished the affidavit of Beatrice De Marco, Vice President, Import Contracts, of the Owner, sworn November 4, 2022, together with Exhibits A to K (the De Marco Affidavit).

[9] Only the Requesting Party filed written representations.

[10] No hearing was held.

THE EVIDENCE

[11] In her affidavit, Ms. De Marco attests to the following:

- The Owner is an importer and distributor of fine wines and spirits, with a head office in Virginia, USA [para 4]. The Owner has partnerships with wineries and Canadian importers and distributors, with distributor partners offering Canadians a diverse selection of wines from around the world [para 4].
- The current product offerings from the Owner's producer are two wines, a malbec and a red blend, sold in association with the Mark [para 5]. Tech sheets for these two wines are attached as Exhibit B and C.
- The Owner has partnered with Puerto Ancona SA (the Partner) to sell the Goods in Canada and has assigned the exclusive rights to sell the Goods in Canada to the Partner [para 6].

[12] Ms. De Marco also provides the following statements based on information and belief:

- Persons wishing to import alcohol in to British Columbia (BC) must do so through a local agent [para 8]. The Partner uses a third-party importer, Trialto Wine Group Ltd. (TWG) as its local agent for western Canada. TWG is in charge of importing wines into Canada and also acts agent for the Partner [para 7].
- Due to Canadian importing rules and the COVID-19 pandemic (the Pandemic), the Partner has not imported or sold any of the Goods bearing the Mark in Canada during the Relevant Period [para 9].
- In Canada, imported wine is sold through an import agent, who will then sell the wine to the import distribution branch. For example, to import wine in to BC, TWG must sell to the British Columbia Liquor Distribution Branch (the BCLDB). BCLDB in turn sells to public and private liquor stores. While each province has its own importation regime, they all operate on a similar principle: import by the government, followed by resale [para 10].

- The first step for a liquor product to be available in BC is to obtain a registration, which allows for sale and distribution in the province [para 11].
- In order for wine to be sold in government liquor stores, the wine must also receive listing approval from the BCLDB. If the listing is not approved, the wine is only available if it is ordered directly by a private liquor store, a licensed establishment, for example a restaurant, or by an individual [para 12].
- If a wine is approved for listing, a large order is placed and the wine is kept in a bonded government warehouse. The wine is then sold through the government distribution system, as well as to restaurants and private retailers [para 13].
- If a wine is not approved for listing, the wine is more expensive for the restaurants, private retailers and individuals. Accordingly, given the higher costs, it is very difficult to market wine in BC if a wine has not received a listing [para 14].
- It is the experience of the Partner and TWG that customers are reluctant to purchase wines that have not received a listing. With Pandemic quarantines and the associated restaurant closings, it would have been challenging to obtain a new listing [para 15].
- The BCLDB acknowledges how time consuming the importation of a non-listed wine can be. Attached as Exhibit D is a webpage from the BCLDB website providing information on special orders which notes that “[t]ypically, the final cost for special order products is significantly higher than the retail price in the country of origin”. The minimum order quantity for a wine originating from outside Canada and the US such as the Goods is 48 bottles, with a minimum shipping cost of \$400 [para 16].
- In 2019, the Partner sought to sell the Goods in BC using TWG as its importer/agent. The Goods were successfully registered [para 17]. A copy of the notice of approval for the Goods from the BCLDB dated April 23, 2019 is attached as Exhibit E.

- The Partner, through its agent TWG, applied on April 17, 2019 for the Goods to be listed [para 18]. The listing application and marketing plan included with the application are attached as Exhibits F and G. The Goods did not receive the requested listing [para 19]. A copy of the letter from the BCLDB rejecting the listing application is attached as Exhibit H.
- The Partner remained interested in pursuing a listing for the Goods in BC, planning to reapply for the listing in April 2020 [para 20]. However, the Pandemic “threw those plans into disarray”. Specifically, the Pandemic travel restrictions prevented in-person joint presentation meetings between the importer and the winery [para 20].
- It is well documented that the Pandemic resulted in significant supply chain disruptions and that these ongoing disruptions continue to make it difficult and significantly more expensive to ship wine from Argentina to Canada [para 21].
- These supply chain issues led to difficulties in the production of wine. Specifically, the Partner has had difficulty obtaining empty bottles as, due to the lockdowns and social distancing restrictions, glass suppliers reduced their production and wine bottles became scarce [para 22]. This shortage continued through to 2021 and was made worse by a fire at one of the Partner’s main glass suppliers. Without bottles to bottle wine, wineries had to decrease production which affected distributors’ ability to distribute wine [para 23].
- The Partner is resuming sales of the Goods in Canada [para 24]. The Partner again applied to register the Goods for sale in BC and the Goods were successfully registered on October 26, 2022 [para 25, Exhibit I].
- TWG has ordered 84 cases of the Goods from the Partner to be delivered to BC [para 26]. A copy of the purchase order from TWG to the Partner dated October 28, 2022 is attached as Exhibit J. TWG has also ordered 56 cases of the Goods to be delivered to Alberta [para 27]. A copy of the purchase order for this order dated October 28, 2022 is attached as Exhibit K.

PRELIMINARY MATTER – ADMISSIBILITY OF EVIDENCE

[13] The Requesting Party submits that much of the evidence filed by the Owner is hearsay, being statements made “on information” from two third parties, namely the Partner and TWG. The Requesting Party further submits that the Owner has not shown that such evidence is reliable and necessary, or that the Owner should otherwise benefit from an exception to the rule that hearsay evidence is inadmissible [Requesting Party’s written representations, para 5].

[14] I agree with the Requesting Party that the statements made in the De Marco Affidavit that are based on information and belief are hearsay. However, it is well established that, given the summary nature of section 45 proceedings, “concerns with respect to the hearsay nature of evidence can go to weight, rather than admissibility” [*Eva Gabor International Ltd v 1459243 Ontario Inc*, 2011 FC 18 at para 18]. Therefore, any concerns about the reliability of the De Marco Affidavit will be assessed in terms of weight rather than admissibility.

ANALYSIS AND REASONS FOR DECISION

[15] There is no dispute as to whether the Mark was used in Canada during the Relevant Period as it is clearly stated in the Owner’s evidence that it was not [De Marco Affidavit, para 9]. Thus, this case solely involves the consideration of whether there were special circumstances pursuant to section 45(3) of the Act which excuse the absence of use. As stated by the Federal Court of Appeal in *Smart & Biggar v Scott Paper Ltd*, 2008 FCA 129 at para 22, the general rule is that absence of use will be penalized by expungement, but there may be an exception where the absence of use is excusable due to special circumstances.

Test for Special Circumstances

[16] 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 Trade Marks v Harris Knitting Mills Ltd* (1985), 4 CPR (3d) 488 (FCA)]. 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) at para 29].

[17] 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*].

[18] 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 period of non-use [*Harris Knitting Mills*].

[19] 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].

[20] The intention to shortly resume use must be substantiated by “a sufficient factual basis” [*NTD Apparel Inc v Ryan* (2003), 2003 FCT 780 (CanLII), 27 CPR (4th) 73 (FCTD)].

Why was the Mark not used during the relevant period?

[21] Although the Owner submitted no representations, as set out in the De Marco Affidavit, the Owner’s reasons for non-use of the Mark can be briefly summarized as follows:

- The approval process for selling imported wines in the province of BC is cumbersome, requiring multiple intermediaries and approvals [paras 7 to 14];

- The Partner sought approval for the sale of the Goods in BC and successfully registered the Goods in that province (meaning that the Goods could be sold in BC but only directly by private liquor stores, licensed establishment such as restaurants, and individuals, i.e. not through provincial liquor stores) [paras 12 and 17]. However, while the Partner, through TWG, filed an application in April 2019 to have the Goods listed in BC, it was unsuccessful in obtaining the listing [paras 18 and 19].
- The Owner remained interested in pursuing a listing in BC for the Goods and planned to reapply in April 2020. However, the Pandemic threw those plans into disarray as travel between Argentina and Canada was difficult, if not impossible, thereby precluding in-person meetings that are required [para 20].
- The Pandemic also caused significant supply chain disruptions that continue to make it difficult and significantly more expensive to ship the Goods from Argentina and Canada [para 21]. These same supply chain issues led to difficulties in the production of wine including obtaining empty bottles as the Pandemic lockdowns and social distancing restrictions reduced the production of wine bottles making them scarce [para 22].
- A fire at one of the Partner's main glass suppliers also affected the availability of bottles [para 23].

Do the reasons for non-use constitute special circumstances that excuse non-use?

[22] The Act does not define special circumstances, giving the Registrar broad discretion to consider evidence specific to each situation [*One Group LLC v Gouverneur Inc*, 2016 FCA 109]. It is essential to understand the extent to which non-use is attributable to a decision of an owner, rather than circumstances beyond its control. The duration of the absence of use and the likelihood it will last a long time are important factors as well [*Harris Knitting Mills Ltd*].

[23] In the present case, the Owner has described that it attempted to sell the Goods in the province of BC through its Partner and TWG. In order to sell the Goods in BC, the Goods needed to at least be registered in that province, which they were in April 2019

[De Marco Affidavit, para 17, Exhibit E]. As noted in the De Marco Affidavit, wines that are only registered in BC but not listed are more expensive to purchase and this, in turn, makes the wine “very difficult to market” [De Marco Affidavit, para 14].

[24] Nonetheless, the Owner, through its Partner, had nearly a full year to sell the registered Goods in BC before the shut downs, lock downs and travel restrictions related to the Pandemic began. Accordingly, the Pandemic is not a circumstance that would have had any impact on the lack of use of the Mark from April 2019 to approximately March 2020 when most Pandemic restrictions commenced.

[25] Further, the fact that the Goods were only registered and not listed did not prevent sales from occurring, it simply made the channels of trade more restrictive and the costs higher. It is well established that, generally, unfavourable market conditions, which I consider this to be in that the Goods were more costly and difficult to market based on the lack of listing, are not the sort of uncommon, unusual or exceptional reasons for non-use that constitute special circumstances [see, for example, *Harris Knitting Mills*; and *John Labatt Ltd v Cotton Club Bottling Co*].

[26] Although the evidence indicates that the Owner planned to again attempt to seek a listing for the Goods in BC in April 2020, this apparently became challenging as a result of Pandemic-related travel restrictions. However, the mere fact that a business endeavour may be challenging is insufficient to be considered “uncommon, unusual or exceptional”. The Owner has also not provided any indication as to whether it sought to sell Goods anywhere else in Canada besides BC, or encouraged its Partner to do so. Since the Owner has not provided any reasons as to why it did not seek approval for sale of the Goods outside of the province of BC or why it did not try to obtain the listing in BC for at least a year from the initial listing rejection, I cannot find that the reasons for non-use were beyond the control of the Owner.

[27] Finally, the Owner, through the Partner, successfully registered the Goods in BC in October 2022 and has received an order for sales of 84 cases of the Goods [De Marco Affidavit, paras 25 and 26]. While this does demonstrate the Owner’s intent to resume use of the Mark, it also demonstrates that sales of a registered but not listed

product are possible in BC even though such sales may be more challenging to secure and more costly for the consumer. This brings into question the lack of sales of the Goods after they were initially registered in BC since these recent sales suggest that similar sales were indeed possible as of April 2019.

[28] With respect to the fire at the at a glass supplier for the Partner, I have not given this any weight as no date was provided as to when the fire occurred. Accordingly, it is not clear that the fire affected wine bottle availability during the Relevant Period and, if so, for how long.

[29] Overall, despite the fact that the Owner secured sales of the Goods after the expiry Relevant Period demonstrates an intention to use the Mark in Canada with the Goods, I am unable to conclude that the complete lack of use of the Mark during the Relevant Period was due to factors beyond the control of the Owner. As such, the Owner has failed to demonstrate that the absence of use of the Mark during the Relevant Period was due to special circumstances that excuse the non-use.

DISPOSITION

[30] 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.

Leigh Walters
Member
Trademarks Opposition Board
Canadian Intellectual Property Office

Appearances and Agents of Record

HEARING DATE: No hearing held.

AGENTS OF RECORD

For the Requesting Party: Gowling WLG (Canada) LLP

For the Registered Owner: Norton Rose Fulbright Canada
LLP/S.E.N.C.R.L.,S.R.L