

Federal Court of Appeal



Cour d'appel fédérale

Date: 20211201

Docket: A-353-19

Citation: 2021 FCA 231

**CORAM: PELLETIER J.A.
GAUTHIER J.A.
LOCKE J.A.**

BETWEEN:

INDUSTRIA DE DISEÑO TEXTIL, S.A.

Appellant

and

ZARA NATURAL STONES INC.

Respondent

Heard by online video conference hosted by the registry, on September 14, 2021.

Judgment delivered at Ottawa, Ontario, on December 1, 2021.

REASONS FOR JUDGMENT BY:

LOCKE J.A.

CONCURRED IN BY:

**PELLETIER J.A.
GAUTHIER J.A.**

Federal Court of Appeal



Cour d'appel fédérale

Date: 20211201

Docket: A-353-19

Citation: 2021 FCA 231

**CORAM: PELLETIER J.A.
GAUTHIER J.A.
LOCKE J.A.**

BETWEEN:

INDUSTRIA DE DISEÑO TEXTIL, S.A.

Appellant

and

ZARA NATURAL STONES INC.

Respondent

REASONS FOR JUDGMENT

LOCKE J.A.

I. Background

[1] This is one of two appeals that were heard the same day between the same parties. Both concern applications by the respondent in this appeal, Zara Natural Stones Inc. (ZNSI), to register trademarks. This appeal concerns application no. 1,582,505 filed on June 18, 2012 to

register the trademark ZARA (the word mark) based on use in Canada since at least as early as August 29, 2011. The other appeal (File No. A-374-19) concerns application no. 1,525,938 filed on May 2, 2011 to register the trademark ZARA Natural Stones & Design based on proposed use.

[2] The appellant, Industria de Diseno Textil, S.A. (Industria), opposed both trademark applications on several grounds. The ground that remains relevant in this and the related appeal concerns section 16 of the *Trademarks Act*, R.S.C. 1985, c. T-13, which concerns “Persons Entitled to Registration of Trademarks”. That section provides a restriction against the registration of a trademark that is confusing with, among other things, “a trademark in respect of which an application for registration had been previously filed in Canada by any other person” (paragraphs 16(1)(b) and 16(3)(b)). Relying on this restriction, Industria cited its own application to register the trademark ZARA HOME, which it filed on September 17, 2003.

[3] It is important to note that section 16 has been amended since the application to register the word mark was filed. Under the version of the *Trademarks Act* that is relevant to this appeal, section 16 was divided into separate subsections depending on whether the trademark application under opposition was filed on the basis of (i) use or making known in Canada (subsection 16(1)), (ii) registration and use in another country (subsection 16(2)), or (iii) proposed use (subsection 16(3)). That division was subsequently changed such that subsection 16(1) now addresses trademark applications filed on all of these bases. The version of section 16 as it existed before this change, which is the version relevant in this appeal, is appended to these reasons.

[4] The former division of section 16 is relevant in this appeal because Industria's statement of opposition erroneously relied on subsection 16(3), which concerns applications based on proposed use, whereas the application to register the ZARA word mark was based on use in Canada (which corresponds to subsection 16(1)). This discrepancy was raised only at the hearing of the opposition before the Trademarks Opposition Board (the Board), when ZNSI noted it. In response, Industria requested permission to amend its statement of opposition to replace all references to subsection 16(3) by subsection 16(1).

[5] The Board allowed the amendment and went on to maintain the opposition, and refuse the trademark application, on the basis that the ZARA word mark is confusing with Industria's ZARA HOME trademark (2015 TMOB 9).

[6] On appeal by ZNSI to the Federal Court, Justice Martine St-Louis (the Judge) found the Board's analysis on the issue of the amendment unreasonable, and allowed the appeal, remitting the matter to the Board for a new determination (2019 FC 1083).

[7] Industria now appeals to this Court requesting that the Federal Court's decision be set aside and the Board's decision be restored. For its part, ZNSI cross-appeals requesting that the matter not be remitted to the Board, and that the trademark application be allowed outright.

[8] For the reasons provided below, I would allow this appeal and remit the matter to the Federal Court for further consideration. I would dismiss the cross-appeal.

II. The Board's Decision

[9] In permitting the amendment of the statement of opposition at the hearing, the Board considered the following criteria set out in the *Practice Notice in Trade-Mark Opposition Proceedings* in effect at the time:

- A. The stage the opposition proceeding has reached;
- B. Why the amendment was not made or the evidence not filed earlier;
- C. The importance of the amendment or the evidence; and
- D. The prejudice which will be suffered by the other party.

[10] The Board found that the opposition proceeding was at a very late stage, and that no explanation had been provided as to why the amendment was not made earlier. These factors favour refusing the amendment. On the other hand, the Board found that the amendment was important, and that prejudice to ZNSI would be minimal. The Board noted that Industria had already clearly recognized in its statement of opposition that the application was based on use in Canada, and found that ZNSI was aware at all times that Industria was going to rely on the ground of opposition of non-entitlement, per section 16. At paragraph 18 of its decision, the Board found that Industria “intended to rely on [sub]section 16(1) of the Act and the reference to [sub]section 16(3) of the Act is merely a typographical error.”

[11] The Board allowed the amendment on the basis that the effect of the last two criteria outweighed the adverse effect on Industria of the first two.

III. The Federal Court's Decision

[12] The Judge compared the facts of this case with those in *McDowell v. Automatic Princess Holdings, LLC*, 2017 FCA 126, 148 C.P.R. (4th) 1 (*McDowell*), in which the opponent had sought to amend her statement of opposition to refer to the recent registration of her own trademarks. This Court found in that case that the refusal of her request to amend was unreasonable. The Judge noted that the lateness of the request in *McDowell* was mitigated by the fact that the prejudice suffered by the other party could be remedied by giving it additional time. The Judge also noted that inadvertence had been given as an explanation, and that the other party was likely aware of the omission, since the original statement of opposition had mentioned the imminent registration of the trademarks, and the registrations had been put into evidence.

[13] The Judge found that the relevant facts in the present case warranted refusing leave to amend the statement of opposition. The Judge observed that the request to amend was not made until the hearing, and that ZNSI was not given additional time to respond. The Judge also noted the absence of any explanation, even inadvertence, for the lateness of the request.

[14] The Judge disagreed with the Board's conclusions that (i) ZNSI knew that Industria intended to rely on subsection 16(1), and (ii) Industria's reference to subsection 16(3) was merely a typographical error. The Judge observed that Industria's statement of opposition repeatedly referred to "proposed use" or the "filing date of the application", neither of which apply to an opposition based on subsection 16(1). On this basis, the Judge concluded that the reference to subsection 16(3) could not reasonably be construed as a typographical error.

[15] Distinguishing the facts from those in *McDowell*, the Judge concluded that the decision to allow the amendment was unreasonable. Without considering the other issues raised by the parties, the Judge ordered that the matter be remitted to the Board for a new determination on the amendment request.

IV. Standard of Review

[16] Before analyzing the substantive arguments in this appeal, it is necessary to say a few words on the applicable standard of review, given that the Judge's task was to determine whether the Board had erred.

[17] The Judge applied a standard of review of reasonableness. This was the proper standard of review at the time: see *McDowell* at para. 30. However, the decision of the Supreme Court of Canada in *Canada (Minister of Citizenship and Immigration) v. Vavilov*, 2019 SCC 65, 441 D.L.R. (4th) 1 (*Vavilov*), has changed things. The majority in *Vavilov* directed at paragraph 36 that, where a legislature has provided for an appeal of the decision of an administrative decision-maker (as is the case here), the appellate standard contemplated in *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235 (*Housen*), should apply. *Housen* directs that the standard of correctness applies to questions of law, and the standard of palpable and overriding error applies to questions of fact or of mixed fact and law in which there is no extricable issue of law. This appellate standard should apply going forward to appeals from the Board, at least on issues in which no additional evidence has been introduced before the Federal Court: *Clorox Company of Canada, Ltd. v. Chloretec S.E.C.*, 2020 FCA 76, 172 C.P.R. (4th) 351 at paras. 18-23.

[18] One question that arises in this case is whether the fact that the Judge applied the standard considered appropriate at that time – reasonableness – constitutes an error in light of *Vavilov*. Both parties in this appeal argue that, because the reasonableness standard that the Judge applied to review of the Board’s decision was appropriate at the time, the subsequent change arising from *Vavilov* should not result in the Judge’s application of the reasonableness standard being viewed as an error. The parties have not directed the Court to any decision in which this argument has been addressed explicitly. Because my conclusion on this appeal is not affected by the question of which standard of review of the Board’s decision should apply, I will leave that question for another day.

V. Analysis

[19] Regardless of the standard of review that the Judge should have applied to the Board’s decision, she was not empowered to intervene in the absence of an error by the Board. The Judge’s conclusion was not based on any extricable error of law by the Board. Therefore, in order for the Judge’s decision to survive scrutiny, the Board’s decision to allow the amendment must have either been unreasonable or showed a palpable and overriding error, depending on the applicable standard of review. In the paragraphs below, I will explain why I conclude that neither type of error was present in the Board’s decision to allow the amendment.

A. *Reasonableness*

[20] I note first that the Judge appears to have misdirected herself in applying the reasonableness standard when she indicated at paragraph 34 of her reasons that the facts “warrant

refusing leave to amend.” The Judge went on in the same paragraph to state her own views about some of the criteria to be considered in assessing a request to amend a statement of opposition.

This reasoning suggests that the Judge focused on her own analysis, and reached a different conclusion from that of the Board. This seems to go counter to the following guidance in *Vavilov* at para. 83:

... [T]he focus of reasonableness review must be on the decision actually made by the decision maker, including both the decision maker’s reasoning process and the outcome. The role of courts in these circumstances is to *review*, and they are, at least as a general rule, to refrain from deciding the issue themselves. Accordingly, a court applying the reasonableness standard does not ask what decision it would have made in place of that of the administrative decision maker, attempt to ascertain the “range” of possible conclusions that would have been open to the decision maker, conduct a *de novo* analysis or seek to determine the “correct” solution to the problem. The Federal Court of Appeal noted in *Delios v. Canada (Attorney General)*, 2015 FCA 117, 472 N.R. 171, that, “as reviewing judges, we do not make our own yardstick and then use that yardstick to measure what the administrator did”: at para. 28; see also *Ryan [Law Society of New Brunswick v. Ryan]*, 2003 SCC 20, [2003] 1 S.C.R. 247, at paras. 50-51. Instead, the reviewing court must consider only whether the decision made by the administrative decision maker — including both the rationale for the decision and the outcome to which it led — was unreasonable.

[Original emphasis]

[21] The Judge’s focus on her own assessment of the relevant criteria may indicate a problem with her analysis. However, the Judge did also consider the Board’s analysis. Her principal concerns in that regard were with the Board’s conclusions that (i) ZNSI knew the nature of Industria’s section 16 ground of opposition, and (ii) the reference to subsection 16(3) instead of subsection 16(1) was a typographical error.

[22] I will address the second point first. I agree that the erroneous reference to subsection 16(3) instead of subsection 16(1) was not what one would normally describe as a typographical

error, such as a slip of the pen or a mishit on the keyboard. However, based on the Board's decision and the evidence that was before it, it appears that it did not misunderstand the nature of the error. Rather, it recognized the error as one of form rather than substance. It might better have referred to it as a technical error, but I do not agree that the unfortunate use of the word "typographical" to describe the error impairs the reasonableness of the Board's decision.

[23] Moreover, the Judge had no basis to doubt the Board's conclusion that ZNSI knew that Industria intended to rely on subsection 16(1). A review of subsections 16(1) and 16(3), reproduced in the Appendix hereto, shows that the only substantive differences concern the basis for the opposed application (used or made known in Canada vs. proposed use), and the relevant date for the assessment of confusion (the date of first use or making known vs. the filing date of the application). Since Industria clearly indicated in its statement of opposition that it knew that the application to register the ZARA word mark was based on use in Canada, it was equally clear that the applicable subsection of section 16 was subsection (1) and not subsection (3). Hence, it was obvious that references to subsection (3) were erroneous and should have pointed to subsection (1). Moreover, the difference in the relevant date for assessment of confusion is unimportant. The ZARA HOME trademark application cited by Industria in its opposition was filed in 2003, which is long before both the filing date for the application to register the ZARA word mark (June 18, 2012), and ZNSI's claimed date of first use thereof (August 29, 2011).

[24] I have also considered ZNSI's expansion on the Judge's comments on the unreasonableness of the Board's decision (in paragraphs 36 and following of ZNSI's memorandum of fact and law), but I see no merit in these additional arguments.

B. *Palpable and Overriding Error*

[25] I would reach the same conclusion if I took the view that the Judge should have applied the appellate standard in assessing the Board's decision.

[26] As indicated above, there is no suggestion that the Board made an extricable error of law, so the question is whether it made a palpable and overriding error.

[27] As further indicated, the Judge applied a reasonableness standard of review, which was proper at the time. If that standard is now considered wrong, and the appellate standard is to be applied, then no deference is owed to the Judge's decision, since she never reviewed the Board's decision on the appellate standard. Accordingly, I will consider whether the Board made a palpable and overriding error in its analysis.

[28] As I indicated earlier, the Board considered each of the four criteria relevant to a request to amend a statement of opposition. The Board recognized that the first two (the stage of the proceeding, and why the amendment was not requested earlier) did not favour Industria's request to amend. However, it felt that the last two criteria (the importance of the amendment, and prejudice to ZNSI) favoured Industria's request, and that they outweighed the first two.

[29] With regard to the last two criteria, there is no doubt that the amendment was important. Therefore, the only real issue here concerns prejudice to ZNSI. ZNSI argues that the Board found that there would be some prejudice, since it concluded that prejudice would be minimal. It also argues that this prejudice was not minimized because ZNSI was given no additional time to

respond to the new ground of opposition. ZNSI cites a number of precedents in which the Board has considered requests to amend a statement of opposition. ZNSI notes that none of these allowed an amendment where it would prejudice the other party.

[30] I do not see much difference between minimal prejudice, as found by the Board, and no prejudice. The Board's analysis seems to be based on a view that any prejudice would be negligible, since ZNSI already knew the nature of Industria's opposition based on section 16. As indicated above, I find the Board's assessment of what ZNSI knew of the nature of Industria's opposition to be reasonable. I also find no palpable and overriding error in this assessment.

[31] For the same reason, I see no palpable and overriding error in relation to the fact that ZNSI was not given additional time to respond to the new ground of opposition. Clearly, the Board's view was that the amendment to replace references to subsection 16(3) by subsection 16(1) did not introduce a new ground of opposition, but rather corrected an obvious technical flaw in the statement of opposition. Moreover, there is no evidence that ZNSI requested additional time and, in appeal, it did not suggest what more it could have said about this ground of opposition.

VI. Conclusion

[32] I would allow the present appeal, set aside the Judge's decision, and remit the matter to the Federal Court for further consideration of the matters that were raised by the parties before the Federal Court but not considered.

[33] I would dismiss the cross-appeal.

[34] ZNSI proposes that, in the event that the present appeal is allowed, no costs should be awarded against it. It argues that this appeal was made necessary by Industria's failure to plead properly in its statement of opposition, and its further failure to correct that deficiency until the hearing of the opposition.

[35] I would not follow ZNSI's proposition. The flaw it cites was dealt with before both the Board and the Federal Court. Also, the Board did not seem to place all of the blame for the late amendment on Industria. It noted that ZNSI failed to mention the flaw in its written argument. The parties come before the Court with arguments on either side of a dispute, much like parties typically do before this Court. I would order costs against ZNSI in this Court.

"George R. Locke"

J.A.

"I agree.

J.D. Denis Pelletier J.A. "

"I agree.

Johanne Gauthier J.A. "

APPENDIX

Trade-marks Act, R.S.C. 1985, c. T-13

Persons Entitled to Registration of Trade-marks

Registration of marks used or made known in Canada

16 (1) Any applicant who has filed an application in accordance with section 30 for registration of a trade-mark that is registrable and that he or his predecessor in title has used in Canada or made known in Canada in association with goods or services is entitled, subject to section 38, to secure its registration in respect of those goods or services, unless at the date on which he or his predecessor in title first so used it or made it known it was confusing with

- (a) a trade-mark that had been previously used in Canada or made known in Canada by any other person;
- (b) a trade-mark in respect of which an application for registration had been previously filed in Canada by any other person; or
- (c) a trade-name that had been previously used in Canada by any other person.

Personnes admises à l'enregistrement des marques de commerce

Enregistrement des marques employées ou révélées au Canada

16 (1) Tout requérant qui a produit une demande selon l'article 30 en vue de l'enregistrement d'une marque de commerce qui est enregistrable et que le requérant ou son prédécesseur en titre a employée ou fait connaître au Canada en liaison avec des produits ou services, a droit, sous réserve de l'article 38, d'en obtenir l'enregistrement à l'égard de ces produits ou services, à moins que, à la date où le requérant ou son prédécesseur en titre l'a en premier lieu ainsi employée ou révélée, elle n'ait créé de la confusion :

- a) soit avec une marque de commerce antérieurement employée ou révélée au Canada par une autre personne;
- b) soit avec une marque de commerce à l'égard de laquelle une demande d'enregistrement avait été antérieurement produite au Canada par une autre personne;
- c) soit avec un nom commercial qui avait été antérieurement employé au Canada par une autre personne.

Marks registered and used abroad

(2) Any applicant who has filed an application in accordance with section 30 for registration of a trade-mark that is registrable and that the applicant or the applicant's predecessor in title has duly registered in or for the country of origin of the applicant and has used in association with goods or services is entitled, subject to section 38, to secure its registration in respect of the goods or services in association with which it is registered in that country and has been used, unless at the date of filing of the application in accordance with section 30 it was confusing with

- (a) a trade-mark that had been previously used in Canada or made known in Canada by any other person;
- (b) a trade-mark in respect of which an application for registration had been previously filed in Canada by any other person; or
- (c) a trade-name that had been previously used in Canada by any other person.

Proposed marks

(3) Any applicant who has filed an application in accordance with section 30 for registration of a proposed trade-mark that is registrable is entitled, subject to sections 38 and 40, to secure its registration in respect of the goods or services specified in the application,

Marques déposées et employées dans un autre pays

(2) Tout requérant qui a produit une demande selon l'article 30 en vue de l'enregistrement d'une marque de commerce qui est enregistrable et que le requérant ou son prédécesseur en titre a dûment déposée dans son pays d'origine, ou pour son pays d'origine, et qu'il a employée en liaison avec des produits ou services, a droit, sous réserve de l'article 38, d'en obtenir l'enregistrement à l'égard des produits ou services en liaison avec lesquels elle est déposée dans ce pays et a été employée, à moins que, à la date de la production de la demande, en conformité avec l'article 30, elle n'ait créé de la confusion :

- a) soit avec une marque de commerce antérieurement employée ou révélée au Canada par une autre personne;
- b) soit avec une marque de commerce à l'égard de laquelle une demande d'enregistrement a été antérieurement produite au Canada par une autre personne;
- c) soit avec un nom commercial antérieurement employé au Canada par une autre personne.

Marques projetées

(3) Tout requérant qui a produit une demande selon l'article 30 en vue de l'enregistrement d'une marque de commerce projetée et enregistrable, a droit, sous réserve des articles 38 et 40, d'en obtenir l'enregistrement à l'égard des produits ou services spécifiés dans la demande, à moins que, à la date de production de la

unless at the date of filing of the application it was confusing with

- (a)** a trade-mark that had been previously used in Canada or made known in Canada by any other person;
- (b)** a trade-mark in respect of which an application for registration had been previously filed in Canada by any other person; or
- (c)** a trade-name that had been previously used in Canada by any other person.

...

demande, elle n'ait créé de la confusion :

- a)** soit avec une marque de commerce antérieurement employée ou révélée au Canada par une autre personne;
- b)** soit avec une marque de commerce à l'égard de laquelle une demande d'enregistrement a été antérieurement produite au Canada par une autre personne;
- c)** soit avec un nom commercial antérieurement employé au Canada par une autre personne.

[...]

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-353-19

STYLE OF CAUSE: INDUSTRIA DE DISENO
TEXTIL, S.A. v. ZARA
NATURAL STONES INC.

PLACE OF HEARING: BY ONLINE VIDEO
CONFERENCE

DATE OF HEARING: SEPTEMBER 14, 2021

REASONS FOR JUDGMENT BY: LOCKE J.A.

CONCURRED IN BY: PELLETIER J.A.
GAUTHIER J.A.

DATED: DECEMBER 1, 2021

APPEARANCES:

Catherine Bergeron FOR THE APPELLANT

Michael Adams FOR THE RESPONDENT

SOLICITORS OF RECORD:

Robic, LLP FOR THE APPELLANT
Montréal, Quebec

Riches, McKenzie & Herbert LLP FOR THE RESPONDENT
Toronto, Ontario