

Federal Court



Cour fédérale

Date: 20150818

Docket: T-2094-14

Citation: 2015 FC 980

Ottawa, Ontario, August 18, 2015

PRESENT: The Honourable Madam Justice McVeigh

BETWEEN:

HEATHER RUTH MCDOWELL

Applicant

and

AUTOMATIC PRINCESS HOLDINGS, LLC

Respondent

JUDGMENT AND REASONS

[1] This is an application for judicial review under section 18.1 of the *Federal Courts Act*, RSC 1985, c F-7, of the decision of the Member of the Trademarks Opposition Board (the “Board”). The Board refused the Applicant’s (hereinafter “McDowell”) request for leave to file an Amended Statement of Opposition.

I. Factual Background

[2] On August 25, 2003, the Respondent, Automatic Princess Holdings, LLC (hereinafter “Automatic”) filed Trademark Application No. 1,187,510 to register the trademark HONEY B. FLY. The trademark application was approved in September 2009 and advertised in the Trademarks Journal in December 2009.

[3] McDowell filed a Statement of Opposition against Automatic’s mark on May 2, 2010. The opposition was based on non-entitlement and non-distinctiveness but McDowell did not file evidence of prior use of marks. McDowell owns registrations for the trademarks HONEY and HONEY & DESIGN. McDowell has opposed twelve applications for marks using the word “Honey” alone or in combination for those wares or services covered by her registrations.

[4] Automatic filed a counter statement in response on July 6, 2010.

[5] On November 8, 2010, McDowell filed the affidavit of Elenita Anastacio that included two registrations TMA767,075 (HONEY) and TMA767,134 (HONEY & DESIGN). Elenita Anastacio was cross-examined on her affidavit by Automatic on May 25, 2011.

[6] Automatic filed a witness affidavit on January 21, 2013. No reply evidence was filed by either party. On March 19, 2014, McDowell indicated they would not file written argument and requested an oral hearing. Automatic filed written argument on July 25, 2014 and requested a hearing date on August 24, 2014.

[7] McDowell realized by inadvertence that it had failed to amend the Statement of Opposition that would update the change from pending application to registration and add the new ground of section 12(1)(d).

[8] On August 14, 2014, four years after McDowell commenced the opposition, McDowell requested leave to file an Amended Statement of Opposition to add a new ground. The proposed amendment was to plead section 12(1)(d) of the *Trade-marks Act*, RSC 1985, c T-13 (the “Act”) which changes the evidentiary burden needed to show the use of the registered marks. The evidentiary stage had closed and Automatic had filed its written arguments.

[9] On August 20, 2014, the Board requested submissions from Automatic on the request for amendment, and on September 3, 2014, Automatic objected to the request. On September 10, 2014, McDowell filed comments to Automatic’s submissions.

[10] On September 16, 2014, the Board refused leave to file an Amended Statement of Opposition after considering the factors as set out in Part VII of *Practise in Trade-mark Opposition Proceedings*.

[11] The Board determined that the request for leave to amend the Statement of Opposition was made at a very late stage in the proceedings which was after McDowell had received Automatic’s written argument. The Board found that McDowell did not provide an adequate explanation for the delay other than to say it was by inadvertence. The Board found that the

amendment was of some importance to McDowell because it added a ground of opposition which did not require McDowell to show use of the registered marks at issue.

[12] The Board found that Automatic was prejudiced because the effect of the amendment would allow McDowell to “split its case”, which even if accidental, is not in the interests of justice. The Board determined that it appeared from the file that McDowell’s leave to amend the application was prompted after reviewing Automatic’s written arguments.

[13] The Board stated that it considered the factors as set out in the *Practise in Trade-mark Opposition Proceedings* notice, in effect as of March 31, 2009, and refused the request to amend.

[14] On September 23, 2014, McDowell sent another request for the Board to reconsider the decision and on September 24, 2014, Automatic made submissions against the reconsideration.

[15] In response to the request for reconsideration, the Board stated that he did not make an error in understanding the facts of McDowell’s submissions. Nor was there a clear error of law in refusing the request for leave to amend the Statement of Opposition. On October 7, 2014, the Board rejected the reconsideration request.

II. Interlocutory Decision-Special Circumstances

[16] The preliminary issue to be addressed is whether this interlocutory decision should it be judicially reviewed before the administrative process is complete or are there special circumstances to allow it to be judicially reviewed.

[17] The parties agree that refusing to grant leave to amend the Statement of Opposition is an interlocutory decision (*Simpson Strong-Tie v Peak Innovations Inc*, 2008 FCA 235) and that an interlocutory decision can only be reviewed when special circumstances exist (*Szczecka v Canada*, [1993] FCJ No 934 (FCA) at para 4 (“*Szczecka*”).

[18] The Court in *Szczecka*, above, stated that this rule is applied to avoid “breaking up cases”, delay, expense and because of interference with the sound administration of justice and ultimately bringing it into disrepute.

[19] The Board in making its decision relied on the Notice to Profession that sets out the factors to consider when deciding whether to amend the Statement of Opposition.

[20] The Notice to profession (Notice) says:

VII Leave pursuant to Rules 40 and 44(1) of the Regulations

Leave to amend a statement of opposition or counter statement or to file additional evidence will only be granted if the Registrar is satisfied that it is in the interests of justice to do so having regard to all the surrounding circumstances including:

1. the stage the opposition proceeding has reached;
2. why the amendment was not made or the evidence not filed earlier;
3. the importance of the amendment or the evidence, and;
4. the prejudice which will be suffered by the other party.

III. Special or Exceptional Circumstances

[21] Without special or exceptional circumstances, parties cannot proceed to the court system until the administrative process is complete. Parties must pursue all effective remedies that are available within the administrative process and only if the process is complete or there is no effective remedy, may they proceed to court (*CB Powell Ltd v Canada (Border Services Agency)*, 2010 FCA 61). This means that special circumstances may exist if there is no other appropriate remedy (see *Szczecka*).

[22] Where the parties do not agree is that McDowell argues there are no adequate alternative remedies within this proceeding which meets the test of special circumstances so the decision should be reviewed. Automatic on the other hand says there are alternative remedies to pursue so these facts do not constitute special circumstances.

IV. Adequate Remedies

[23] McDowell relies on *Parmalat Canada Inc v Sysco Corporation*, 2008 FC 1104 (“*Parmalat*”) and *Dairy Processors Association of Canada v Dairy Farmers of Canada*, 2014 FC 1054 (“*Dairy Processors*”), for support. McDowell submits that like those cases there is a special circumstance because there is no remedy available within this administrative process.

[24] The applicant in *Parmalat* sought to add a new ground of opposition under section 22(1) of the Act, which the board found not to be an appropriate ground of opposition.

[25] In *Parmalat*, Mr. Justice Lemieux held that special circumstances were found to exist following refusal to grant leave to amend a Statement of Opposition. This finding was because at the end of the opposition proceeding, which is an appeal to the Federal Court under section 56 of the Act, the court found that there does not exist an adequate remedy other than to judicially review the interlocutory decision. Section 56 only permits the Federal Court on appeal of a trademark opposition to deal with issues found within the Statement of Opposition (*Parmalat* at 25 citing *McDonald's Corp v Coffee Hut Stores Ltd*, [1994] FCJ No 638 (QL) at 16). The court found not granting leave to amend to be an error of law as there was no other remedy for that error of law.

[26] McDowell submits that this case is analogous to *Parmalat*, as they requested leave to file an Amended Statement of Opposition to include an additional ground of opposition. McDowell's position is that the decision is finally dispositive of substantive rights because it deprives McDowell from raising arguments based on section 12(1)(d) before the Opposition Board or on appeal.

[27] In *Dairy Processors*, the court also found special circumstances existed to review a refusal to amend a Statement of Opposition because the court did not find remedies existed in alternative judicial proceedings. Mr. Justice Locke found that a separate proceeding pursuant to the section of the Act in the proposed amendment or an expungement action involved proceedings that are separate from the original opposition. He concluded that the alternative remedies contemplated in *Szcecka* and *CB Powell* must be remedies available within the context of the proceeding at issue and not separate proceedings outside of the opposition (*Dairy*

Processors at 23). Mr. Justice Locke found that the board member erroneously concluded that the new ground of opposition was invalid, thus weighing in favour of no alternative remedy available.

[28] In contrast to *Parmalat* and *Dairy Processors*, Automatic relies on *Indigo Books & Music Inc v C & J Clark International Ltd*, 2010 FC 859 (“*Indigo*”). In *Indigo*, Mr. Justice O’Keefe found that special circumstances did not exist because the applicant had adequate remedies available in the form of alternative judicial proceedings pursuant to section 40 of the Act. As a result, the Court in *Indigo* did not judicially review the interlocutory decision.

[29] Mr. Justice O’Keefe determined there were two alternative judicial proceedings available to *Indigo*; either to commence an action pursuant to the section sought to be added to the Statement of Opposition or to commence an expungement proceeding if the trademark applications proceeded to registration. Mr. Justice O’Keefe found these to be appropriate remedies to deal with *Indigo*’s substantive rights and noted that the fact that leave to amend was not granted does not automatically result in special circumstances. The facts of each case determine whether there are special circumstances to allow judicial review of an interlocutory decision to proceed.

[30] Further submissions by McDowell argue that “special circumstances” are present when interlocutory decisions are “finally dispositive” of a substantive right allowing for judicial review. McDowell says that the policy rationale to decline to hear appeals from interlocutory

decisions is because the appeals proceed on the basis that all contested issues may be reviewed in one hearing (*CHC Global Operations v Global Helicopter Pilots Assn*, 2008 FCA 344).

[31] McDowell states that in this case, all contested issues will not be reviewed on appeal and so do not fall within the policy rationale. An interlocutory decision that may not finally dispose of a party's main argument may still deprive a party of the ability to make arguments in the alternative based on other substantive grounds and as such, is also "finally dispositive".

[32] Automatic submits that no special circumstances exist to support judicial review of the Board's decision to refuse leave to amend the Statement of Opposition. Automatic states that McDowell's argument that special circumstances do exist is because McDowell was refused the chance to add a new ground of opposition and that the decision is finally dispositive is akin to arguing that special circumstances exist each time an amendment is refused.

[33] I agree with Automatic that just because leave to amend was refused does not mean that there are special circumstances. The Federal Court rejected this exact argument in *Indigo* where the Court stated that the fact that the amendments were not allowed does not automatically result in special circumstances being established.

[34] *Indigo* provides that the facts of some cases where an amendment is refused may provide special circumstances which allow judicial review of an interlocutory decision. As stated in *Indigo*, certain facts give rise to special circumstances, but as is clearly set out in *CB Powell*,

there must really be special and almost exceptional circumstances existing to allow judicial review of an interlocutory decision.

[35] The following purpose as stated in *CB Powell* is appropriate to repeat:

[32] This prevents fragmentation of the administrative process and piecemeal court proceedings, eliminates the large costs and delays associated with premature forays to court and avoids the waste associated with hearing an interlocutory judicial review when the applicant for judicial review may succeed at the end of the administrative process anyway...

[36] Even without the Amended Statement of Opposition, it is possible that McDowell will succeed in the opposition hearing anyway, without the added expense to both parties of what in my view amounts to “splitting the case”.

[37] Secondly, if following the reasoning in *Indigo*, that remedies must only be available within the ongoing administrative process, it would allow for each “special circumstance” argued to “split the case” which is exactly what the jurisprudence in *Szcecka* warns against.

[38] Such certain facts as described in *Indigo* are found where the decision involved an erroneous conclusion that the proposed new ground of opposition was invalid as in *Dairy Processors* at 43, 44 and *Parmalat* at 36. The previous two cases are distinguishable as in those cases the refusal to grant the amendment was based on the incorrect conclusion that the grounds for opposition to be added could not form an opposition unlike this case where there was no finding by the Board.

[39] *Parmalat* did present special circumstances because the Board held that the Opposition Board did not have authority to inquire into issues of depreciation and found that section 22 was not a proper ground for opposition. Similarly, in *Dairy Processors* the judicial review was allowed because there was an incorrect conclusion that sections 30 and 7 could not be a valid ground of opposition.

[40] Contrary to those two cases, in the decision at issue here there is no error on a question of law or whether section 12(1)(d) could be pled as a ground of opposition. Also the Board on these facts did not refuse to grant leave based on jurisdictional issues.

[41] The Board based the refusal on the criteria set out in the Notice to Profession found in paragraph 20 above. McDowell made the argument that the prejudice they will suffer should be considered as it is far greater than the prejudice to Automatic. Further, McDowell submits that Mr. Justice Locke in *Dairy Processors* added that comparison as a new factor to consider. I do not need to determine if *Dairy Processors* added a new factor as in this case the Board did look at the prejudice to both parties despite not being determinative of the matter as the availability of other remedies was. The Board's decision is not finally dispositive of the substantive rights of McDowell because other remedies are available.

[42] Regarding the availability of alternative remedies, McDowell relies on the conclusion in *Dairy Processors* in support of a finding of special circumstances however that finding was two-fold. First Mr. Justice Locke's interpretation of *CB Powell* meaning that all effective remedies in the current proceeding must be exhausted and secondly, in his view there was an error in law as

to the validity of the ground of opposition to be added. I respectfully disagree with Mr. Justice Locke's interpretation by pointing to *CB Powell* at paragraph 31 where the court summarizes its position by stating:

Put another way, absent exceptional circumstances, courts should not interfere with ongoing administrative processes until after they are completed, **or until the available, effective remedies are exhausted.**

Emphasis added

[43] In my view, available, effective remedies include expungement proceedings under section 57, in the event the marks proceed to registration or, McDowell may commence an action against Automatic by alleging use of the mark is a breach of a separate 12(1)(d) proceeding. Finally, McDowell may still be successful on the basis of the outstanding opposition application.

[44] This prevents "splitting the case" and also prevents unnecessary expense and delay for both parties particularly if the opposition proceeding is successful anyway. If McDowell is not successful, then they may pursue the alternative remedies as described in the above paragraph as well as an appeal on the grounds contained within the Statement of Opposition pursuant to section 56.

[45] Sufficient special circumstances do not exist to proceed with judicial review of this interlocutory decision. My finding is based primarily on Mr. Justice O'Keefe's reasoning and also partly on distinguishing the facts in *Dairy Processors*, which do not match the facts of this case.

[46] In sum, the Court should not exercise its discretion to judicially review this interlocutory decision in the interests of justice.

[47] The parties were not able to come to an agreement regarding costs. The parties provided me with their draft bills. I will award costs to Automatic to be payable forthwith by McDowell in the amount of \$3,500.00

THIS COURT'S JUDGMENT is that

1. The application is dismissed;
2. Costs are awarded to the Respondent to be payable forthwith by the Applicant in the amount of \$3,500.00.

"Glennys L. McVeigh"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-2294-14

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