

Federal Court



Cour fédérale

Date: 20160617

Docket: T-2531-14

Citation: 2016 FC 680

[ENGLISH TRANSLATION]

Ottawa, Ontario, June 17, 2016

PRESENT: The Honourable Mr. Justice LeBlanc

BETWEEN:

L'ORÉAL, SOCIÉTÉ ANONYME

Applicant

and

COSMÉTICA CABINAS, S.L.

Respondent

JUDGMENT AND REASONS

I. Introduction

[1] The parties to this litigation are European companies specializing in the manufacturing and sale of cosmetics. Their respective products are sold in a number of countries. The dispute in this case concerns whether, under the *Trade-marks Act*, R.S.C., 1985, c. T-13 [the Act], the

applicant [L'Oréal] was entitled to registration, in Canada, of the INOA mark in association with hair care products.

[2] The respondent [Cabinas] opposed this registration primarily on the ground that, pursuant to paragraph 16(3)(a) of the Act, there was a likelihood of confusion between the INOA mark and its AINHOA mark, which it claimed it had previously used in Canada in association with skin care products.

[3] On September 30, 2014, the Registrar of Trade-marks [the Registrar] allowed Cabinas's opposition. He found that L'Oréal had not discharged its burden of showing that there was no likelihood of confusion between the INOA mark and the AINHOA mark (hereinafter sometimes referred to as the "competing marks").

[4] L'Oréal appeals the decision of the Registrar under section 56 of the Act. It invites the Court to review the matter *de novo* based on the evidence filed in support of its appeal. According to L'Oréal, this evidence—to which Cabinas has not responded—shows that Cabinas's evidence before the Registrar was insufficient to establish its prior use of the AINHOA mark in Canada. L'Oréal also maintains that the new evidence significantly changes the assessment of whether the competing marks are likely to be confusing, and can only support the finding that no such likelihood exists.

II. Background

A. *Proceedings before the Registrar*

[5] The application for registration at issue (No. 1,443,259) was filed with the Registrar on June 30, 2009. In it, a priority date was claimed in relation to the filing, in France, on January 16, 2009, of a similar application for the same type of products. The said application was advertised in the *Trade-marks Journal* on January 27, 2010.

[6] Cabinas filed its statement of opposition on June 28, 2010. In addition to pointing out the likelihood of confusion, it argued:

- a. that L'Oréal's application for registration did not comply with the requirements of paragraph 30(i) of the Act, because L'Oréal could not have been satisfied as to its entitlement to use the INOA mark when it filed the said application; and
- b. that the said mark, at that date, was not distinctive, within the meaning of section 2 of the Act, in that it did not distinguish the wares associated with it from those associated with the AINHOA mark.

[7] The Registrar, however, dismissed these two grounds, the first because Cabinas had failed to prove it, and the second because there was no need to dispose of it, since L'Oréal's application for registration could be dismissed on the sole ground that there was a likelihood of confusion between the competing marks. These two aspects of the Registrar's decision are not at issue in this appeal, nor is the fact that Cabinas seeks to register the AINHOA mark through an application filed with the Registrar prior to that at issue in this case.

[8] In support of its opposition, Cabinas filed the affidavit of its general manager, Juan Antonio Morales. Mr. Morales stated that the AINHOA mark was one of Cabinas's leading trade-marks, that it had been prominently displayed across www.ainhoacosmetics.com since at least 2002, and that between 2002 and 2009, AINHOA products had reached worldwide sales of 20.5 million euros.

[9] Mr. Morales also stated that the AINHOA mark had been used in Canada as early as August 15, 2006, in association with makeup, skin care products and hair care products and that, since then, sales of these products had exceeded \$360,000. According to Mr. Morales, AINHOA products are sold in Canada in various retail points of sale and department stores, such as Winners and Sears, and are available online.

[10] L'Oréal filed the affidavit of Minh-Dan Tran, Group Marketing Manager of L'Oréal Canada Inc., a wholly owned subsidiary of L'Oréal. Mr. Tran said that L'Oréal products fell into four categories, including professional hair products. He also said that INOA products had been sold in Canada since February 2010 and that no instances of confusion between the competing marks had been brought to his attention.

[11] Mr. Morales was cross-examined, but not Mr. Tran.

B. Registrar's decision regarding the opposition ground of likelihood of confusion

[12] The Registrar began by saying he was satisfied that Cabinas had met its burden of proving, as of the priority date claimed by L'Oréal in its application for registration, namely January 16, 2009, its use of the AINHOA mark in Canada in association with skin care products, and of showing that it had not abandoned the AINHOA mark as of the date of advertisement of the said application in the *Trade-marks Journal*, namely January 27, 2010.

[13] Deeming that prior use of the AINHOA mark had been established, the Registrar then sought to determine whether L'Oréal had discharged its ultimate onus of establishing, on a balance of probabilities, that on January 16, 2009, there was no likelihood of confusion between the competing marks. The Registrar pointed out that in deciding whether the trade-marks were confusing, he had to take into account all circumstances in the case, including those listed in subsection 6(5) of the Act, namely:

- i. the inherent distinctiveness of the trade-marks at issue and the extent to which they have become known;
- ii. the length of time each has been in use;
- iii. the nature of the goods, services or businesses associated with these marks;
- iv. the nature of the trade; and
- v. the degree of resemblance between the marks in appearance or sound or in the ideas suggested by them.

[14] First, the Registrar determined that the extent to which the competing marks resembled each other favoured Cabinas, finding that the marks, on the basis of first impression, even though neither suggested any specific ideas, might look similar to the average consumer and might sound somewhat similar to the average Francophone consumer.

[15] Next, the Registrar said that, in his view, the inherent distinctiveness of the competing marks favoured neither party, as he was satisfied that each mark possessed a material and equivalent inherent distinctiveness. Moreover, he concluded that even though Cabinas had succeeded in proving, as of January 16, 2009, its use of the AINHOA mark in Canada since as early as August 2006, its evidence fell short of establishing the extent to which the mark had become known in Canada as of that date. In this regard, the Registrar noted that Cabinas had provided no evidence concerning the sums allocated to advertising of AINHOA products in Canada or the volume of advertising or promotional material distributed in Canada by it or its distributors, and no annual breakdown of sales of AINHOA products in Canada since 2006.

[16] As for the length of time the marks had been in use, the Registrar found that it favoured Cabinas, as he was satisfied that the AINHOA mark had been in use in Canada as of the priority date claimed by L'Oréal, whereas the INOA mark had not.

[17] The Registrar found that the nature of the goods, services or businesses at issue favoured Cabinas as well. Indeed, having found that the AINHOA and INOA marks were used in Canada exclusively in association with skin care products and hair care products, respectively, he rejected L'Oréal's submission that the goods associated with each mark were clearly distinct. It

was his view that, while they were not identical, the products were, in both cases, designed to beautify the hair or skin; there were no significant differences between them.

[18] Lastly, the Registrar found that the nature of the trade favoured Cabinas. In his opinion, L'Oréal's argument that the products at issue were intended for different distribution channels—large-surface stores in the case of AINH OA products and professional hair salons in the case of INOA products—was not supported by the evidence, particularly by the statement of goods included with the application for registration of the INOA mark, which did not contain any restrictions regarding the distribution channels of the wares.

[19] Lastly, the Registrar gave no weight to Mr. Tran's evidence that no instances of actual confusion between the competing marks had been brought to his attention, particularly since the INOA mark had not been in use in Canada as of January 16, 2009.

[20] As mentioned, L'Oréal feels, based on the new evidence filed in support of this appeal, that Cabinas's use of the AINH OA mark in Canada as of January 16, 2009, was insufficient to ground an opposition. Alternatively, it urges the Court, still on the basis of this fresh evidence, to find that there is no likelihood of confusion between the competing marks.

III. Issues and standard of review

[21] The Court must determine whether there are grounds to intervene and reverse the Registrar's findings regarding the use, in Canada, of the AINH OA mark as of January 16, 2009, and, if applicable, the likelihood of confusion between this mark and the INOA mark.

[22] Generally, where a dispute brought before the Registrar raises questions of fact and law that are within his expertise, as in the present matter, the applicable standard of review is reasonableness (*Cyprus (Commerce and Industry) v. Producteurs laitiers du Canada*), 2010 FC 719, 393 FTR 1, at paragraph 28 [*Producteurs laitiers du Canada*]; *Molson Breweries v. John Labatt Ltd.*, [2000] 3 FC 145 (FCA), 180 FTR 99, at paragraph 29 [*John Labatt Ltd.*]; *Restaurants La Pizzaiolle Inc. v. Pizzaiolo Restaurants Inc.*, 2015 FC 240, at paragraph 41).

[23] In accordance with this standard, the Court will intervene only if the Registrar's decision was "clearly wrong" (*Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, [2006] 1 SCR 772, at paragraph 40; *Playboy Enterprises Inc. v. Germain* (1979), 43 CPR (3d) 254 (FCA), at page 274; *Producteurs laitiers du Canada*, at paragraph 28). From the perspective of *Dunsmuir v. New Brunswick*, 2008 SCC 9, [2008] 1 SCR 190 [*Dunsmuir*], this means that the Court must show deference to the Registrar's findings and will therefore intervene only if those findings lack justification, transparency or intelligibility or fall outside a range of possible, acceptable outcomes which are defensible in respect of the facts and law (*Dunsmuir*, at paragraph 47; see also *Hawke & Company Outfitters LLC v. Retail Royalty Company*, 2012 FC 1539, at paragraph 47 [*Hawke & Company Outfitters*]).

[24] However, under subsection 56(5) of the Act, where additional evidence is adduced before the Court, it may exercise any discretion vested in the Registrar. In that case, the Court may draw its own conclusions and apply the standard of correctness to the Registrar's decision (*Producteurs laitiers du Canada*, at paragraph 28).

[25] But in order to exercise its powers under subsection 56(5) of the Act, the Court must be satisfied that the fresh evidence submitted by the parties is substantive and adds to that adduced before the Registrar. In other words, the Court must be satisfied that this new evidence could have led the Registrar to make different findings had he had the opportunity to consider it. Fresh evidence that is repetitive and does not enhance the probative value of the evidence already adduced is insufficient to preclude application of the deferential standard of reasonableness to the Registrar's findings (*Producteurs laitiers du Canada*, at paragraph 28; *John Labatt Ltd.*, at paragraph 29). Thus, when additional evidence is filed, the test is "one of quality, not quantity" (*Canadian Council of Professional Engineers v. Apa - The Engineered Wood Assn.*, [2000] FCJ No. 1027 (QL), 7 CPR (4th) 239 (FC), at paragraph 36; *Wrangler Apparel Corp. v. Timberland Co.*, 2005 FC 722, at paragraph 7; *Hawke & Company Outfitters*, at paragraph 31).

[26] The additional evidence submitted by L'Oréal in this appeal can be summarized as follows:

- a. The results of an investigation on the use of the AINHOA mark in Canada and the sale of AINHOA products in Canada between 2006 and 2010 (affidavits of Janie Boucher and Ingrid Andrade, investigator-analysts with the investigations and security firm SIRCO)
- b. An opinion on the particulars of the Canadian cosmetics market, including the products associated with the competing marks, their distribution channels, and consumer habits in relation to the said products (affidavit of Vincent Lemieux, General Manager of Conair Professional)
- c. An opinion on the compliance of AINHOA products destined for the Canadian market with Canadian food and drug regulations and, in particular, with the regime subjecting the importation and sale of certain cosmetics in Canada to prior approvals and permits (affidavit of Robert Ross-Fichtner, President of Focal Point Research Inc.)

- d. The results of a search, across multiple media platforms, for articles containing the word “AINHOA,” to see what comes up (affidavits of Céline Bélanger, researcher at Cogniges inc., and Joan Brehl Steele, Vice President of Alliance for Audited Media)

[27] L’Oréal’s new evidence also includes the affidavit of Doriane Dalati, Vice-President of Strategic Market Development at L’Oréal Canada’s Professional Products Division. Ms. Dalti said that INOA products have been sold in Canada since 2010, that these products are intended for professional use only, and that “INOA” is short for “Innovation No Ammonia.” She also promised, on behalf of L’Oréal, that products bearing the INOA mark would be sold in Canada exclusively to hair professionals and that the statement of goods included with the application for registration of the said mark would be amended accordingly, once the said mark was registered.

[28] According to L’Oréal, this new evidence establishes:

- a. that Cabinas’s use of the AINHOA mark in Canada has been limited to non-existent, and if the mark has acquired a reputation in Canada, it has not done so “in the normal course of trade” as defined in section 4 of the Act, since some of the AINHOA products sold in Canada were in violation of Canadian legislation governing the importation and sale of drugs, cosmetics and natural products;
- b. that INOA products, in that they have always been intended and will continue to be intended for professional use only, are materially different from AINHOA products, thus rendering any overlap between their respective distribution channels impossible; and
- c. that the distinctiveness of “AINHOA,” which is a woman’s first name and the name of a place, is much lower than that of “INOA,” which specifically stands for “Innovation No Ammonia.”

[29] Cabinas argues that, had it been adduced before the Registrar, L'Oréal's new evidence would not have materially affected the Registrar's findings. In fact, Cabinas contends that this evidence, for the most part, confirms the facts on which the Registrar based his decision. In particular, Cabinas submits that this evidence (i) does not call into question the finding that the AINHOA mark had been used in Canada prior to January 16, 2009, (ii) deals with factors of the test for likelihood of confusion that the Registrar found to be in favour of L'Oréal; and (iii) contains admissions confirming the Registrar's findings regarding this test. In any event, Cabinas says that the Registrar's decision stands up to analysis, even against the standard of correctness.

[30] What, then, should be made of this?

IV. Analysis

A. *Use of the AINHOA mark in Canada as of January 16, 2009*

(1) Applicable law

[31] Under paragraph 16(3)(a) and subsection 16(5) of the Act, any applicant who, like L'Oréal, has filed an application for registration of a proposed trade-mark is entitled to secure its registration in respect of the goods or services specified in the application, unless at the date of filing of the application it was confusing with a trade-mark that had been previously used in Canada or made known in Canada by any other person and had not been abandoned by this person as of the date of advertisement of the applicant's application. Under subsections 38(1)

and (2) of the Act, this person may, within the time prescribed therein, file a statement of opposition on this basis, which is what Cabinas did.

[32] The relevant statutory provisions are reproduced as an appendix to this judgment.

[33] It is well established that although the applicant bears the legal onus of satisfying the Registrar, on a balance of probabilities, that its application complies with the requirements of the Act, the opponent bears the initial evidential burden to adduce sufficient admissible evidence from which it could be reasonably concluded that the facts alleged to support each ground of opposition exist. Only after this requirement has been met does the burden of proof shift to the applicant (*John Labatt Ltd. v. Molson Co.* (1990), 30 CPR (3d) 293, 36 FTR 70, affirmed on appeal (1992), 42 CPR (3d) 495, 57 FTR 159; *Republic of Cyprus (Commerce and Industry) v. International Cheese Council of Canada*, 2011 FCA 201, at paragraphs 25–28, leave to appeal to SCC refused, 34430 (April 12, 2012)).

[34] In this case, Cabinas had the initial burden of satisfying the Registrar that it was using the AINHOA mark in Canada as of January 16, 2009, the priority date claimed by L'Oréal, and that it had not abandoned the said mark as of January 27, 2010, the date of advertisement of L'Oréal's application for registration in the *Trade-marks Journal*.

[35] Under section 2 of the Act, "use," in relation to a trade-mark, means any use that by section 4 is "deemed to be a use in association with goods or services." Subsection 4(1) of the Act, which specifically deals with the use of a trade-mark in association with goods, reads as follows:

4 (1) A trade-mark 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.

4 (1) Une marque de commerce est réputée employée en liaison avec des produits si, lors du transfert de la propriété ou de la possession de ces produits, dans la pratique normale du commerce, elle est apposée sur les produits mêmes ou sur les emballages dans lesquels ces produits sont distribués, ou si elle est, de toute autre manière, liée aux produits à tel point qu'avis de liaison est alors donné à la personne à qui la propriété ou possession est transférée.

(2) Use of the AINHOA mark

[36] As we have seen, L'Oréal is of the view, in light of the new evidence, that as of January 16, 2009, the claimed priority date, the use of the AINHOA mark in Canada was insufficient to ground an opposition. In particular, it argues that the new evidence is inconsistent with what Mr. Morales said under oath and paints a more realistic picture of the use of the said mark than that provided by Cabinas, which, in its view, was grossly exaggerated.

[37] Noting that Cabinas has provided no evidence in response to the new evidence, L'Oréal urges the Court to draw significant negative inferences from this and conclude that Cabinas failed to demonstrate sufficient use, in the normal course of trade, of the AINHOA mark as of January 16, 2009. According to L'Oréal, while paragraph 16(3)(a) of the Act does not define what constitutes use in the normal course of trade, it has often been described in the jurisprudence as “substantial and continuous” as well as “lawful” use by a trader. The applicant

argues that the new evidence shows that Cabinas had satisfied neither requirement as of January 16, 2009. In short, it says, a few isolated sales of products, many of which were in violation of Canadian food and drug legislation, and which were associated with a mark that had acquired at best a marginal reputation as of the material date, are insufficient to ground an opposition under paragraph 16(3)(a) of the Act.

[38] Cabinas counters that the new evidence, had it been adduced before the Registrar, would have made no difference to the outcome of its opposition. It is of the opinion that, to meet its initial burden, it needed only to prove that AINHOA products had been sold in Canada as of the claimed priority date and that it had not abandoned the AINHOA mark when L'Oréal advertised its application for registration in January 2010, which it did. And, in its view, the new evidence confirms it. In this regard, Cabinas submits that sales to distributors constitute sales "in the normal course of trade." As for sales having to be lawful to be considered as having been made in the normal course of trade, Cabinas argues that the new evidence does not conclusively establish that, between 2006 and 2009, AINHOA products destined for the Canadian market were in violation of Canadian food and drug regulations, and that, in any event, this evidence of non-compliance concerns only a portion of the said products.

[39] I am of the view that L'Oréal's appeal must fail on this point.

Volume of sales

[40] It has been established that AINHOA products were sold in Canada between 2006 and January 2009. L'Oréal acknowledges it in its factum, and the new evidence, particularly that of

the SIRCO investigator-analysts, Ms. Boucher and Ms. Andrade, tends to confirm it. Indeed, the evidence in the record shows that Cabinas sold such products to a Winners store in Mississauga, Ontario, in July 2006, and to the company Beautytech in Burnaby, British Columbia, in May 2007—a total of three invoices for revenue of 13,542 euros.

[41] With regard to Beautytech specifically, even though the evidence of Ms. Boucher and Ms. Andrade shows that a portion of the AINHOA products purchased by this distributor was either a) not sold on the market or b) seized by Canadian customs officials for containing wild sturgeon caviar, a natural product illegal in Canada, this evidence still confirms that AINHOA products were purchased by Beautytech and that some of those goods were sold online or in beauty salons.

[42] Moreover, as Cabinas notes, the evidence that appears inconsistent with what Mr. Morales said, namely that AINHOA products were available for purchase on the Sears website (www.sears.ca), is inconclusive, since Sears refused to answer Ms. Boucher and Ms. Andrade's questions and since the "health and beauty" section of the Sears website could not be accessed for 2006 and 2010 when searching the archives. As for 2007 to 2009, a two-year period, the evidence is that the word "AINHOA" did not come up in a search of the archives for the 12 days selected by Ms. Boucher and Ms. Andrade. I note, however, that Cabinas has provided no evidence to clarify the situation.

[43] Regardless, as I find that the new evidence adduced by L'Oréal would not have materially affected the Registrar's findings on this point, the question to be determined at this stage is whether it was reasonable for the Registrar to reach a finding of prior use of the said mark based on the invoices filed by Cabinas concerning goods sold to Winners in July 2006 and to Beautytech in May 2007.

[44] I would note at the outset that the question of prior use is a question of mixed fact and law within the Registrar's expertise. Therefore, the Court will intervene only if the Registrar's decision in this regard was "clearly wrong" (*Producteurs laitiers du Canada*, at paragraph 28; *Playboy Enterprises Inc. v. Germain* (1979), 43 CPR (2d) 271, at page 274 (FCA)).

[45] I would also note that it now appears well established that the sale of a product associated with a trade-mark to a distributor, as opposed to a consumer, the end user, constitutes a transfer of property in the product "in the normal course of trade" as defined in subsection 4(1) of the Act. In my view, the following passage from *Philip Morris Inc. v. Imperial Tobacco Ltd. et al.* (1985), 7 CPR (3d) 254, 35 ACWS (2d) 258, aptly summarizes the state of the law on this issue:

[99] . . . The Act simply requires evidence of sales in the normal course of trade. In the *Molson Cos. Ltd. v. Halter* (1976), 28 C.P.R. (2d) 158 at p. 177 Gibson J. writes:

In essence, in order to prove “use” in Canada of a trade mark for the purpose of the statute, there must be a normal commercial transaction in which the owner of the trade mark completes a contract in which a customer orders from the owner the trade mark wares bearing the trade mark which wares are delivered by the owner of the trade mark pursuant to such contract to such customer. In other words, as s. 4 of the Act prescribes, the “use” must be “in the normal course of trade” at the time of the transfer of the property in or possession of such wares.

[100] The Act does not define the persons to whom the sales are made. A “customer” can be a wholesaler as well as a retailer, as long as the sale is made in the normal course of trade as defined by s. 4 of the Act. It has also been established that the words “normal course of trade” recognize the continuity of a transaction from the manufacturer to the ultimate consumer and provide protection for the manufacturer’s trade mark throughout these intervening transactions: see *Manhattan Industries Inc. v. Princeton Mfg. Ltd.* (1971), 4 C.P.R. (2d) 6; *Marchands Ro-Na Inc. v. Tefal S.A.* (1981), 55 C.P.R. (2d) 27, 14 B.L.R. 123; *Saxon Industries, Inc. v. Aldo Ippolito & Co. Ltd.* (1982), 66 C.P.R. (2d) 79; *Royal Doulton Tableware Ltd. et al. v. Cassidy’s Ltd. Cassidy’s Ltee* (1984), 1 C.P.R. (3d) 214, 5 C.I.P.R. 10.

[46] Moreover, I agree with Mr. Justice Nadon, then of this Court, when he said, in *JC Penney Co. Inc. v. Gaberdine Clothing Co. Inc.*, 2001 FCT 1333, 213 FTR 189 [*JC Penney*], that use of a trade-mark could not be measured by the number of sales or the quantity of wares sold in association with the trade-mark. Nadon J. went on to note that the Act does not impose any requirements concerning the length or extent of use of the trade-marks but simply requires that the trade-mark be used in association with wares in the normal course of trade. In practical terms, the issue is whether the sales on which the opponent relies are, in the light of all the circumstances, sufficient to show use of its trade-mark:

[92] Consequently, use of a trade-mark cannot be measured by the number of sales or the quantity of wares sold in association with the trade-mark. That is why, in my view, a single sale may suffice to prove use of a trade-mark. The sale or sales must be examined in the light of all of the surrounding circumstances. The Act does not

impose any requirements concerning the length or extent of use of the trade-marks. Subsection 4(1) of the Act simply requires that the trade-mark be used in association with wares in the normal course of trade. That is the reason why, in my view, sales that have been found to be “token” sales, sales to related companies, free delivery of samples, and pro-forma transfers, do not meet the requirements of “in the normal course of trade”. The Act does not require an applicant to show extensive use of substantial use of its trade-mark. The issue is whether the sales on which the applicant relies are sufficient to show use by the applicant of its trade-mark.

[47] This contextual approach was recently adopted by Mr. Justice Rennie, as he then was, in *Corporativo De Marcas GJB, SA DE CV v. Bacardi & Company Ltd.*, 2014 FC 323, 452 FTR 128 [*Bacardi & Company*]. There, Rennie J. held that a literal interpretation of the phrasing “continuous use” in *Labatt Brewing Co. v. Benson & Hedges (Canada) Ltd.* (1996), 110 FTR 180, 62 ACWS (3d) 561 [*Labatt Brewing Co.*] created an unduly strict test for opponents, as neither a discrete period of use nor of non-use was conclusive of prior use of the trade-mark in the normal course of trade (*Bacardi & Company*, at paragraphs 42–43).

[48] L’Oréal points out that, in that case, Rennie J. stated that a mere three transactions over the course of five years were insufficient to ground an opposition to an application for registration. However, Rennie J. specified that those transactions all occurred in the first 17 months of those five years and that sales of products bearing the mark at issue were subsequently halted in Canada, creating a hiatus of over three years “during which there was no evidence of any use” (*Bacardi & Company*, at paragraph 3).

[49] In this case, there is no evidence that Cabinas stopped selling AINHOA products in Canada or did not use the mark in Canada for a long period, as indicated by its sales of AINHOA products to Cosmolane Inc. in May and August 2009 and January 2010. As Nadon J. noted in *JC Penney*, evidence of sales made posterior to the filing date of the contested application for registration is relevant to “determining if there has been use in the normal course of trade” (*JC Penney*, at paragraph 93). Here, the evidence before the Registrar, as a whole, shows that AINHOA products were sold in Canada in 2006, 2007, 2009 and 2010 and that, notwithstanding the lack of an annual breakdown, these sales generated total revenue of over \$360,000. That is certainly suggestive, if not conclusive, of continuous use of the AINHOA mark in Canada.

[50] Furthermore, the circumstances of this case contrast with those of other cases where the Court ruled that prior use of a trade-mark in the normal course of trade had not been established:

- a. A single sale of a product to a subsidiary company (*SAFT - Société des accumulateurs fixes et de traction v. Charles Le Borgne Ltée* (1975), 22 CPR (2d) 178, at page 182 (FC));
- b. An order of boxes with the trade-mark on the boxes, with no proof when, if ever, the boxes were used (*Golden Happiness Bakery v. Goldstone Bakery & Restaurant* (1994), 53 CPR (3d) 195, at page 199, 76 FTR 52);
- c. The advertisement of a service without performance of the said service (*Cornerstone Securities Canada Inc. v. Registrar of Trade-marks et al.* (1994), 58 CPR (3d) 417 (FC));
- d. Two isolated shipments of wine to test the market (*Grants of St. James Ltd. v. Andres Wines Ltd.* (1969), 58 CPR 281);
- e. The giving away of a few promotional samples (*King Features Syndicate, Inc. et al. v. Lechter*, [1950] Ex. CR 297, at pages 306–307).

[51] In this regard, as Nadon J. noted in *JC Penney*, generally, sales that have been found to be “token” sales, sales to related companies, free delivery of samples, and pro-forma transfers do not meet the requirements of “in the normal course of trade” (*JC Penney*, at paragraph 92). That is not the case here.

[52] It is worth mentioning that after excluding most of the evidence of prior use of the mark at issue either for being related to sales made after the relevant date or for being inconclusive, Nadon J. found that evidence of two transactions involving the sale of four pairs of jeans in all was sufficient to establish prior use (*JC Penney*, at paragraphs 86–87). Strictly in terms of the volume of sales, there is no comparison between the situation in that case and the situation here, where the Registrar had before him evidence of a volume of sales that, while not substantial, largely exceeded the volume recognized by Nadon J. as sufficient to constitute evidence of prior use.

[53] It is true that in *Mr. Goodwrench Inc. v. General Motors Corp.* (1994), 55 CPR (3d) 508 (FC) [*Mr. Goodwrench Inc.*], cited by L’Oréal, Madam Justice Simpson held that establishing prior use of a trade-name, as defined in paragraph 16(3)(c) of the Act, required evidence that the said use was “substantial and continuous.” In that case, Simpson J. ruled that a single use of a trade-name three years before the filing date of the contested application for registration by a company that had been inactive for two years before that date was not prior use in the normal course of trade. In my view, that case differs from the present one in that the evidence shows that Cabinas sold AINHOA products in Canada in 2006 and 2007, and since, as

we have seen, there is nothing to suggest that it subsequently ceased its commercial activities in Canada in relation to AINHOA products; quite the contrary, in fact.

[54] I also note that *Mr. Goodwrench Inc.* was decided before *Labatt Brewing Co.*, cited above, where Simpson J., as Rennie J. noted in *Bacardi & Company*, cited above, qualified the meaning of continuity or continuous use so as not to impose an unduly strict burden on those seeking to establish prior use of a trade-name or mark. In any event, this position differs from that articulated by Nadon J. in *JC Penney*. With respect, I prefer the latter; I find it more consistent with the wording of section 4 of the Act, which, as Nadon J. pointed out, does not impose any requirements concerning the length or extent of use of a trade-mark (*JC Penney*, at paragraph 92).

[55] L'Oréal argues that, according to the approach taken by Nadon J. in *JC Penney*, in order to constitute use "in the normal course of trade," a low volume of sales must be coupled with significant promotional activity, which Cabinas did not establish, and the Registrar noted as much. However, that is only one of the factors to which Nadon J. had regard when examining "all of the . . . circumstances" surrounding the two sales that he accepted as prior use of the mark at issue in that case (*JC Penney*, at paragraph 93). The other factors he considered, which he did not care to list exhaustively given the fluid and case-specific nature of a review based on all the circumstances of a given case, included the history of use of the mark in question by the applicant, an American company; the distribution of products bearing this mark in the United States; the fact that the said products were prominently displayed in the applicant's catalogues;

and, as we have seen, use of the said mark in Canada after the filing date of the contested application for registration. Nadon J.'s exact words were as follows:

[93] It cannot be disputed, in my view, that the applicant's sales were made in the normal course of trade. The sales must be examined in the light of all of the surrounding circumstances, namely: (1) the applicant has hundreds of cardholders with Canadian home addresses; (2) thousands of the applicant's catalogues are mailed to Canadians every year; (3) the applicant began using THE ORIGINAL ARIZONA JEAN COMPANY trade-mark in 1989 in association with trousers and jeans for men, women and children; (4) the wares associated with the trade-mark THE ORIGINAL ARIZONA JEAN COMPANY are sold in the applicant's department stores in the United States and through its catalogues to customers elsewhere and, in particular, in Canada; (5) the wares associated with the trade-mark THE ORIGINAL ARIZONA JEAN COMPANY are prominently displayed and on sale in the applicant's catalogues. I also note that there is evidence that the applicant still ships its catalogues to Canada, sells its wares to Canadians through a mail-order system, and delivers such wares to the homes of Canadian purchasers. The post-December 21, 1993 evidence is relevant to an inquiry, when determining if there has been use in the "normal course of trade". Using pre- and post-December 21, 1993 evidence, I am of the view that the applicant has used its trade-mark in the normal course of trade, and not just in a token or contrived fashion. I am cognizant of the fact that when determining if use has been established by the applicant, evidence of use post-December 21, 1993, is irrelevant. While determining if there has been use in the normal course of trade, I am entitled to take into account evidence of use arising post-December 21, 1993.

[56] In this case, the Registrar had before him evidence:

- a. that the AINHOA mark has been around since 1996 and is one of Cabinas's leading marks;
- b. that products bearing that mark are sold in over 50 countries;
- c. that the sales of these products totalled 231 million Spanish pesetas for the years 1996 to 2001 and 20.5 million euros for the years 2002 to 2009;

- d. that since at least 2002, these products have been prominently displayed on www.ainhoacosmetics.com, which attracts hundreds of thousands of visitors each year, though the number of Canadian visitors is unknown; and
- e. that there were sales of AINHOA products in Canada in 2006, 2007, 2009 and 2010, generating total revenue of over \$360,000.

[57] In my view, concerning the volume of sales, the evidence adduced by Cabinas before the Registrar of its use of the AINHOA mark in Canada as of January 16, 2009, allowed the latter to conclude, on considering the evidence as a whole under a reasonableness standard, that Cabinas had met its burden of showing that it used the said mark before that date in the normal course of trade and that it had not abandoned it as of the date the application for registration of the INOA mark was advertised, that is, January 27, 2010.

[58] In other words, it is reasonable to conclude that Cabinas has, to quote again from *JC Penney*, “used its trade-mark in the normal course of trade, and not just in a token or contrived fashion” (*JC Penney*, at paragraph 93).

Reputation of the AINHOA mark

[59] L’Oréal submits that, to meet its initial burden of showing that, as of January 16, 2009, it had used the AINHOA mark in Canada “in the normal course of trade,” Cabinas had to establish the said mark’s [TRANSLATION] “reputation” as of that date. However, according to L’Oréal, the new evidence shows that the AINHOA mark was of little to no repute at that time. In L’Oréal’s view, the evidence of the two SIRCO investigator-analysts shows that the site

www.scienceandnatureonline.com, through which, according to Mr. Morales, Cabinas sold its AINHOA products in Canada, was not online until after June 5, 2009, when the domain name scienceandnatureonline.com was created, meaning it went online after January 16, 2009. The same goes for the AINHOA products sold to the Canadian distributor Cosmolane Inc.; its website's archives make no mention of the AINHOA mark prior to October 2009, which, again, is after the claimed priority date. Still according to Ms. Boucher and Ms. Andrade's research, with the exception of a mention in a May 26, 2009 article reposted on the Cosmolane Inc. website from a website administered in India, Canadian online stores and blogs make no mention of AINHOA products prior to 2010.

[60] Under paragraph 16(3)(a) of the Act, L'Oréal is entitled to secure registration of the INOA mark unless at the date of filing of the application the said mark was confusing with a trade-mark that had been "previously used in Canada or made known in Canada by any other person." As appears from the wording of section 5 of the Act, which sets out when a trade-mark is deemed to be made known in Canada, this requirement entails, in relation to section 4 of the Act, two separate ideas. Section 5 reads as follows:

5 A trade-mark is deemed to be made known in Canada by a person only if it is used by that person in a country of the Union, other than Canada, in association with goods or services, and	5 Une personne est réputée faire connaître une marque de commerce au Canada seulement si elle l'emploie dans un pays de l'Union, autre que le Canada, en liaison avec des produits ou services, si, selon le cas :
(a) the goods are distributed in association with it in Canada, or	a) ces produits sont distribués en liaison avec cette marque au Canada;
(b) the goods or services are advertised in association with	b) ces produits ou services sont annoncés en liaison avec cette

it in	marque :
(i) any printed publication circulated in Canada in the ordinary course of commerce among potential dealers in or users of the goods or services, or	(i) soit dans toute publication imprimée et mise en circulation au Canada dans la pratique ordinaire du commerce parmi les marchands ou usagers éventuels de ces produits ou services,
(ii) radio broadcasts ordinarily received in Canada by potential dealers in or users of the goods or services, and it has become well known in Canada by reason of the distribution or advertising.	(ii) soit dans des émissions de radio ordinairement captées au Canada par des marchands ou usagers éventuels de ces produits ou services, et si la marque est bien connue au Canada par suite de cette distribution ou annonce.

[61] In *Kamsut, Inc. v. Jaymei Enterprises Inc.*, 2009 FC 627, 347 FTR 627, the Court reiterated that, to meet its initial burden, an opponent to a registration relying on paragraph 16(3)(a) of the Act has to establish that its trade-mark was previously used or was well known in Canada:

[39] Section 16(1) of the Act sets up a two part test which Kamsut must fulfill: (1) establish prior or previous use or being well known in Canada; and (2) establish confusion. I agree with counsel for Jaymei if Kamsut does not establish prior or previous use or reputation in Canada, consideration of confusion is not necessary. *Auld Phillips* is on point. From a statutory interpretation point of view, this proposition flows from the nature of the two part test established under section 16 of the Act.

[62] It seems clear to me that to meet its initial burden of proof, Cabinas did not have to establish both use and reputation of the AINHOA mark, at least in the sense of section 5 of the Act, as of January 16, 2009. Evidence of either one was sufficient.

[63] However, citing *British American Bank Note v. Bank of America National Trust and Saving Association et al.*, [1983] 2 FC 778 as well as *Fox on Canadian Law of Trade-Marks and Unfair Competition* (4th ed., Toronto, Carswell, 2002 (updated 2015)), L'Oréal points out that Cabinas's initial burden included the requirement to establish the AINHOA mark's reputation as of that date. Noting that the jurisprudence on section 16 of the Act does not indicate how well known the mark has to be to meet this burden, L'Oréal urges the Court, in order to clarify this aspect, to refer to the definitions developed in passing-off cases, which apparently require evidence of a high volume of sales.

[64] In *Merrill Lynch & Co. v. Bank of Montreal* (1996), 108 FTR 241, 61 ACWS (3d) 774, the Court specified what is required of an opponent in this regard:

[34] There is a burden, then on an opponent to a registration, to actually show the prior use of a mark as a trade-mark, before the opponent can rely on section 16. When this burden is discharged, the applicant for registration must show that there will be no confusion with the opponent's mark if the applied-for mark is registered.

[35] The burden on the opponent, in this case, the Appellant, was commented on in *Domtar Inc. v. Ottawa Perma-Coating Ltd*¹¹, a decision of a Trade-Marks Opposition Board, where it was stated:

In view of the clear language in the *British American Bank Note* case, *supra*, and the consistent reliance on this case by the Trade Marks Opposition Board, I consider myself bound to require that an opponent relying on s. 16 of the Act, establish a reputation in trade. I do not, however, consider that it is at all clear from the jurisprudence what an opponent must establish in order to show a reputation in trade for this purpose.

To require an opponent to establish a reputation in trade of the nature that would be required to support a passing-off action or to establish a secondary meaning or acquired distinctiveness such as would

satisfy the requirements of s.12(2) of the Trade Marks Act would, at least if applied as a general principle, in my view be clearly inconsistent with the basic intent of s.16 of the Act.

It appears to me that the requirement to establish a reputation is best viewed as a requirement to establish that the opponent's mark has actually functioned as a trade-mark, in other words and having regard to the definition of a trade mark in s. 2 of the Trade Marks Act, that it has been used for the purpose of distinguishing or so as to distinguish the opponent's wares or services from the wares or services of others. As such the requirement to establish a reputation could be viewed as simply being one aspect of the requirement under s. 16 of the Act to establish prior use.

In the case of a mark which is inherently adapted to distinguish, it would appear that the requirement to establish a reputation could be satisfied by evidence of a usage on a single occasion if one is able to conclude that the mark functioned as a trade mark on that occasion.

In the case of marks, however, which are not inherently adapted to distinguish such as descriptive or laudatory words, it appears that there is a heavier burden on an opponent. For such marks, in order to satisfy the requirement for a reputation, it would appear that an opponent must show that there has been at least some recognition by the public of the mark as a trade-mark:

I am in agreement with the foregoing analysis on the issue of entitlement.

[65] I would make two observations here. First, referring to concepts developed in passing-off cases ought to be avoided, as these are extraneous to the purpose of section 16. Indeed, I would note that the overall purpose of a passing-off action is to put an end to unlawful or unfair competition causing an unjust injury to another person, which suggests that a manufacturer

wishing to succeed in a passing-off action must show that its product has acquired a secondary meaning (*Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 SCR 120, at pages 132–133, 95 DLR (4th) 385). The issue here, that is, entitlement to registration of a trade-mark, is of a different order. Second, the burden of establishing a reputation in trade in the context of section 16 of the Act seems light, as the opponent must show that the trade-mark it claims it used prior to the applied-for mark was used for the purpose of distinguishing its goods or services from the goods or services of others. In this case, even though the Registrar did not explicitly address this issue, the evidence is clear.

[66] Thus, in my view, L'Oréal's new evidence in this regard would not have affected the Registrar's findings with respect to the pre-January 16, 2009 use of the AINHOA mark, had it been adduced before him. I reiterate that the Registrar agreed with L'Oréal that it was impossible to draw from Cabinas's evidence a conclusion as to the extent to which the AINHOA mark had become known in Canada as of January 16, 2009. He pointed out that there were "deficiencies in [Cabinas's] evidence." However, this observation was made when the Registrar was applying the test for confusion between the competing marks, and not in relation to the requirement to establish a reputation in trade as part of the initial burden on an opponent to the registration of a trade-mark. The Registrar also wondered whether, as of June 28, 2010, the filing date of the statement of opposition, the AINHOA mark "had acquired a substantial, significant or sufficient reputation." However, he addressed this issue, which he ultimately deemed unnecessary to decide, when analyzing the ground of opposition raised pursuant to section 2 of the Act.

[67] Therefore, reliance on concepts defined in passing-off cases is of no help to L'Oréal in this case.

Compliance of AINHOA products with requirements in food and drug regulations

[68] L'Oréal submits that the sales of AINHOA products in Canada at January 16, 2009, cannot be considered as having been made “in the normal course of trade,” as defined in subsection 4(1) of the Act, because, based on the opinion of its regulatory compliance expert, Mr. Ross-Fitchner, a number of the said products were in violation of Canadian cosmetic regulations. Specifically, L'Oréal argues that in order to sell these products in Canada, Cabinas should have obtained authorization from Health Canada and complied with all relevant packaging and labelling legislation, which it did not. The same applies to their importation, which should have been handled by an importer approved by Health Canada.

[69] On this score, L'Oréal points out that a portion of the goods purchased by Beautytech—the portion containing wild sturgeon caviar—was seized by Canadian customs officials for non-compliance with the relevant regulations. According to L'Oréal, the value of the seized products accounts for 36.4% of the revenue generated by the sales made by Cabinas to Winners and Beautytech.

[70] Like the evidence adduced in support of it, this argument is new, but it does not satisfy me that there are grounds to intervene and find that as of January 16, 2009, the AINHOA mark had not been used in Canada “in the normal course of trade.” As Cabinas notes, the use of a trade-mark cannot be found unlawful unless it clearly appears as such on the face of the record

and, if applicable, it is decided as such not by the Registrar, who does not have jurisdiction over such matters, but by the relevant authorities.

[71] In my view, this is what emerges from *Sunbeam Products Inc. v. Mister Coffee & Services Inc.*, 2001 FCT 1218, 16 CPR (4th) 53 [*Sunbeam Products*], where the Court ruled that, in the absence of clear evidence, the Registrar did not have the jurisdiction to find the use of a trade-mark unlawful in an opposition proceeding, particularly where the matter was within the jurisdiction of another decision-maker, be it administrative or judicial:

[17] The applicant submits that the Registrar did have the jurisdiction to find that the respondent's use of the trade-name MISTER COFFEE was unlawful. The applicant relies upon *McCabe v. Yamamoto & Co. (America) Inc.* (1989), 23 C.P.R. (3d) 498 (F.C.T.D.) and *Lunettes Cartier Ltée v. Cartier, Inc.* (1991), 36 C.P.R. (3d) 391 (T.M.O.B.) where the Registrar did find unlawful the use of a trade-mark by an opponent in an opposition proceeding. In *McCabe*, the Federal Court had evidence of a finding by a U.S. Court that the respondent's use of the trade-mark was an infringement of the appellant's rights. In the *Lunettes Cartier* case, the Opposition Board had evidence that the respondent was subject to an injunction from the Federal Court enjoining the respondent's use of the trade-marks, the same trade-marks which the respondent was relying upon in support of its opposition.

[18] In the case at bar, there is not [*sic*] clear evidence that the use of the trade-mark MISTER COFFEE by the respondent is unlawful. This question requires a proper hearing. The fact that the applicant has not sought an interlocutory injunction or taken legal action prior to 1995, raise [*sic*] questions which need answers in an appropriate legal forum. The Registrar, in the course of opposition proceedings under s. 38 of the *Trade-marks Act*, does not have the jurisdiction to conduct a full hearing with *viva voce* evidence to determine the lawfulness of the respondent's use of the trade-mark. If the lawfulness issue was clear, then the Registrar has the jurisdiction to state that the respondent cannot rely upon its use of the trade mark because its use is not lawful. In the case at bar, the Registrar cannot come to that clear conclusion in this opposition proceeding.

[72] No such evidence has been provided here. Mr. Ross-Fitchner concludes his affidavit with these words:

[42] Products sold in Canada as cosmetics, drugs or [Natural Health Products] must be registered or approved with Health Canada. They must also follow strict labeling and claims guidelines. A number of products shown in the documents I have reviewed as part of my mandate would not have been compliant to Canadian Cosmetic, Drug and NHPs regulations and guidelines if they were sold in Canada by [Cabinas] from 2006 to 2010. Furthermore, I could find no evidence that [Cabinas] products which would be classified as Drugs or [Natural Health Products] were approved or imported as per Canadian regulatory requirements.

[73] At the outset, two observations must be made. First, Mr. Ross-Fitchner did not say that all products sold to Winners and Beautytech were in violation of Canadian cosmetic regulations, but rather a relatively small fraction of them. Indeed, L'Oréal says at paragraphs 65 and 67 of its written submissions that 17 of the 85 types of cosmetics that Cabinas sold to Winners and Beautytech had [TRANSLATION] "health claims on their packaging and/or in their name without having been approved by Health Canada as a drug or natural product" and that [TRANSLATION] "at least two products" qualifying as drugs were sold in Canada without such approval. Second, the opinion of Mr. Ross-Fitchner is that of a third person and not of the regulatory body itself, Health Canada. According to *Sunbeam Products*, it is not for the Registrar to supplant it, and for good reason: he has no expertise in this area.

[74] Moreover, in cross-examination, Mr. Ross-Fitchner conceded (i) that there can be differences of opinion as to the scope of these regulations; (ii) that some companies that have deemed it unnecessary to have their products approved by Health Canada offer these products for sale in Canada despite the risk of receiving in the mail a notice of non-compliance from Health

Canada upon being reported by a competitor, for example; (iii) that the degree of non-compliance can vary significantly, a bit like the behaviour of drivers with regard to speed limits; and (iv) that some of the compliance problems identified in this case are low on the non-compliance scale and as such are unlikely to attract the attention of the regulatory body.

[75] Therefore, according to the standard set out in *Sunbeam Products*, the evidence of Mr. Ross-Fitchner does not establish unlawful use of the AINHOA mark in Canada as of January 16, 2009. In any event, the instances of non-compliance identified by this expert concern only a relatively small portion of the AINHOA products that had been sold or offered for sale in Canada as of that date, and, as Cabinas correctly points out, evidence of non-compliance of a much larger proportion of the said products would have been needed to counter its opposition.

[76] The jurisprudence cited by L'Oréal in support of its non-compliance argument does not affect these observations. In *McCabe v. Yamamoto & Co. (America) Inc.*, [1989] 3 FC 290, 25 FTR 186 [*McCabe*], the evidence was that the opponent was contractually bound not to distribute the products of the applicant, McCabe, in association with its own trade-mark (*McCabe*, at paragraph 25). There was no ambiguity to this state of facts and law. The same is true of *Lunettes Cartier Ltée v. Cartier, Inc.* (1991), 36 CPR (3d) 391, where it was held that the opponent could not claim use “in the normal course of trade” because it was subject to an injunction prohibiting it from selling eyeglasses bearing the applied-for mark.

[77] In *The Molson Companies Limited v. Halter*, [1976] FCJ No. 302, 28 CPR (2nd) 158 [*Molson Companies*], it was clear from the evidence that the individual wishing to register the “Canadian Maple Leaf” mark in association with beer, wine and gin could not sell products bearing that mark without obtaining authorization from the Manitoba Liquor Control Commission in accordance with the Manitoba *Liquor Control Act*, RSM 1970 c. L160, which this individual never did (*Molson Companies*, at paragraph 44).

[78] Moreover, *Becon Pty Ltd. v. Fast Company Distributors, Inc.*, 2012 TMOB 190 [*Becon Pty Ltd.*] involved the implementation of a licence agreement between the parties and not the principle that the sale of products in violation of the applicable government regulations may be contrary to the requirements of subsection 4(1) of the Act (*Becon Pty Ltd.*, at paragraphs 44–45). As for *Mattel Canada Inc. v. GTS Acquisitions Ltd.*, [1990] 1 FC 462, 17 ACWS (3d) 443, it is of no help to L’Oréal, as it did not involve the notion of prior use as defined in the Act. Finally, *Producteurs Laitiers du Canada v. DairyLogic*, 2010 TMOB 46 [*Producteurs Laitiers du Canada*] is also of no help in this case because, if anything, it supports the notion that L’Oréal had to show that the problematic products identified by Mr. Ross-Fitchner were, in fact and in law, subject to a finding of non-compliance by the relevant authorities (*Producteurs Laitiers du Canada*, at paragraphs 17–18).

[79] Thus, in my view, L’Oréal has failed to demonstrate that the Registrar erred in finding that Cabinas’s evidence taken as a whole was sufficient to establish that, as of January 16, 2009, it had used the AINHOA mark in Canada since at least as early as August 2006. L’Oréal has also failed to demonstrate that the new evidence adduced in support of this appeal would have

affected the Registrar's decision on this point. In other words, L'Oréal has not satisfied me that this decision is clearly wrong or that it does not fall within a range of possible, acceptable outcomes which are defensible in respect of the facts and the law (*Dunsmuir*, at paragraph 47).

[80] Now that the merits of this aspect of the Registrar's decision have been established, the question is whether the Registrar erred in finding that there was a likelihood of confusion between the competing marks.

B. *Likelihood of confusion between the AINHOA and INOA marks*

(1) *Applicable law*

[81] Subsection 6(2) of the Act stipulates that the use of a trade-mark causes confusion with another trade-mark:

6(2) . . . if the use of both trade-marks in the same area would be likely to lead to the inference that the goods or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person, whether or not the goods or services are of the same general class.

6(2) [...] lorsque l'emploi des deux marques de commerce dans la même région serait susceptible de faire conclure que les produits liés à ces marques de commerce sont fabriqués, vendus, donnés à bail ou loués, ou que les services liés à ces marques sont loués ou exécutés, par la même personne, que ces produits ou ces services soient ou non de la même catégorie générale.

[82] The courts have specified that this concept should be applied from the point of view of the first impression of the average consumer. As such, in order to determine whether there is confusion between two trade-marks, one for which registration is sought and the other already registered or previously in use, one must ask oneself whether, as a first impression in the mind of a casual consumer somewhat in a hurry, the sight of the mark for which registration is being sought is likely to give the impression, at a time when he or she has no more than an imperfect impression of the mark already registered and previously in use, and does not pause to give the matter any detailed consideration or scrutiny, or to examine closely the similarities and differences between the two marks, that the wares or services associated with these marks were produced, sold or provided, as the case may be, by the same person (*Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 SCR 824, at paragraph 20 [*Veuve Clicquot Ponsardin*]; *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27, [2011] 2 SCR 387, at paragraph 40 [*Masterpiece*]; *Miss Universe, Inc. v. Bohna*, [1995] 1 FCR 614, at paragraphs 10–11).

[83] This first impression test requires an overall examination of the marks at issue, and not close scrutiny or a side-by-side comparison (*Veuve Clicquot Ponsardin*, above, at paragraph 20; *Masterpiece*, above, at paragraph 40).

[84] Subsection 6(5) of the Act states that an examination of the likelihood of confusion between two competing trade-marks must have regard to “all of the surrounding circumstances,” including the following factors, which I mentioned earlier in these reasons:

6(5) . . . :	6(5) [...] :
(a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;	a) le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans laquelle ils sont devenus connus;
(b) the length of time the trade-marks or trade-names have been in use;	b) la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage;
(c) the nature of the goods, services or business;	c) le genre de produits, services ou entreprises;
(d) the nature of the trade; and	d) la nature du commerce;
(e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.	e) le degré de ressemblance entre les marques de commerce ou les noms commerciaux dans la présentation ou le son, ou dans les idées qu'ils suggèrent.

[85] In this case, the Registrar applied the first impression test to each of these factors and found that L'Oréal had not met the burden that had shifted to it (*Republic of Cyprus (Commerce and Industry) v. International Cheese Council of Canada*, 2011 FCA 201, 203 ACWS (3d) 383, at paragraphs 25–28) of establishing, on a balance of probabilities, that there was no likelihood of confusion between the INOA and AINHOA marks. As mentioned, L'Oréal maintains that the new evidence significantly changes the assessment of whether the competing marks are likely to be confusing, and supports the finding that no such likelihood exists.

[86] I am not satisfied that this is the case.

(2) L'Oréal has not discharged its burden of proof

Inherent distinctiveness of the competing marks

[87] L'Oréal submits that “AINHOA,” which is a woman’s first name and the name of a French town near the Spanish border, possesses low inherent distinctiveness. L'Oréal is of the view, based on the new evidence, specifically that of Ms. Bélanger and Ms. Brehl Steele, that for Canadian consumers, the AINHOA mark calls to mind not Cabinas’s products but rather the given and town names after which the mark is named and to which Canadians are regularly exposed through the media. As a result, L'Oréal argues that this mark is entitled to only limited protection.

[88] The Registrar found this factor neutral, as the competing marks are not English or French terms and have no descriptive or suggestive connotation in association with the wares associated with them. In this regard, he said: “There is no debate between the parties that each mark possesses a material and equivalent inherent distinctiveness.”

[89] The evidence that “AINHOA” is a Spanish female first name and the name of a town in the Basque region of France is not new. It was before the Registrar, as evidenced at paragraph 25 of his decision. The new evidence merely confirms it. Therefore, it would not have affected the Registrar’s decision on this point so as to warrant a *de novo* review of the matter. Consequently, L'Oréal had to satisfy me that the Registrar’s decision regarding the inherent distinctiveness of the competing marks—a matter on which the parties seemed to agree—was unreasonable. It has failed to do so.

Degree of resemblance between the competing marks in appearance or sound or in the ideas suggested by them

[90] L'Oréal criticizes the Registrar for finding in favour of Cabinas [TRANSLATION] “despite the major differences in appearance and sound and in the ideas suggested by the marks.” Specifically, it submits, based on the new evidence, that the degree of resemblance between the ideas suggested by the marks is low and should therefore favour it. It argues that, unlike “AINHOA,” which is a first name and the name of a town, “INOA,” which stands for “Innovation No Ammonia,” is a coined word and as such has strong inherent distinctiveness. According to L'Oréal, this is new evidence that would not have supported the Registrar's finding that this subfactor was neutral.

[91] As for the degree of resemblance between the competing marks in appearance or sound, L'Oréal is merely reiterating what it argued before the Registrar. However, it had to establish that the Registrar's findings in this regard were unreasonable, not urge the Court to substitute its own findings for those of the Registrar. It is not for the Court to determine whether it might have reached a different conclusion than the Registrar did. Rather, the Court must determine whether the Registrar's finding of resemblance in appearance and sound between the competing marks falls within a range of possible, acceptable outcomes in respect of the facts and law. In my view, the Registrar's findings meet this standard: he conducted a detailed analysis of L'Oréal's arguments on this point, and his position is defensible. Specifically, he rightly found that L'Oréal's claims regarding the differences between the marks were “based on an inappropriate dissection of the marks,” correctly pointing out, as we have seen, that the said marks had to instead be “considered as a whole” from the perspective of a consumer with an imperfect

recollection of the marks in question (*Veuve Clicquot Ponsardin*, above, at paragraph 20; *Masterpiece*, at paragraph 40). I therefore see no reason to intervene here.

[92] What remains to be determined is whether the fact, emerging from the new evidence, that “INOA” stands for “Innovation No Ammonia” and is therefore a coined word suggesting, according to L’Oréal, an idea that is distinct and stronger than that suggested by “AINHOA,” would have affected the Registrar’s overall assessment of the degree of resemblance between the competing marks.

[93] I think not. Even if I were to accept that, unlike the AINHOA mark, the INOA mark suggests a distinctive idea, I am of the opinion that the similarities between the two marks, as described by the Registrar at paragraphs 45–57 of his decision, on the whole, favour Cabinas. In this regard, it does not appear self-evident to me that for the average consumer, the word “INOA” suggests the idea that the mark bearing that name is associated with ammonia-free products. Based on the evidence provided by L’Oréal to the Registrar, the words “Innovation No Ammonia” do not appear anywhere on the packaging or labels of INOA products (applicant’s record, vol. X, tab 45, at page 2276). Moreover, the argument based on this new evidence is inconsistent with L’Oréal’s submissions before the Registrar to the effect that neither mark suggests a specific idea in connection with the goods associated with them, which, in my view, makes it less persuasive.

[94] Lastly, L'Oréal criticizes the Registrar for giving too much weight to the “degree of resemblance” factor to the detriment of the other factors set out in subsection 6(5) of the Act, which, it says, is contrary to the teachings in *Masterpiece*. I see no merit to that argument, since the Registrar analyzed all the factors set out in subsection 6(5) of the Act.

Nature of the goods associated with the competing marks

[95] L'Oréal criticizes the Registrar for not having due regard to the major differences between the products associated with the competing marks, with AINHOA being used in Canada exclusively in association with skin care products, and INOA being used in Canada exclusively in association with hair care products. I reiterate that the Registrar found that, even though they were not identical, the products associated with the competing marks were designed to beautify the hair or skin and as such were very similar.

[96] L'Oréal submits that the new evidence, particularly that of Mr. Lemieux and Ms. Dalati, establishes that the INOA mark is used only in association with professional hair products and that these products are sold exclusively to professional hair salons and hair professionals. In my view, this evidence is repetitive of the evidence that was before the Registrar, who, as we have seen, did consider it. Therefore, this new evidence does not warrant the application of a standard of review other than reasonableness.

[97] L'Oréal argues that while products may, as in this case, fall into the same general category, that does not necessarily mean that they are the same type of goods for the purposes of the confusion test. This is not the first case in which the Registrar has ruled that, despite not

being identical, products designed to beautify the skin or hair are still products used to improve a person's appearance. As such, they are, in essence, beauty products (*Gillette Co. v. HJ Sutton Industries Inc.*, [1983] TMOB No. 73, at page 144; *Wella Canada Inc. v. Peter, Li-Te Ser*, 2007 TMOB No. 108, at page 4). This finding strikes me as reasonable and consistent with the common meaning of the words "cosmetic" and "beauty product," as the Registrar noted in this case when citing the definition in the *Multidictionnaire de la langue française* (see also: Merriam-Webster, online: <<http://www.merriam-webster.com/dictionary/cosmetic>>).

Trades of the parties

[98] L'Oréal's final argument is that INOA products are sold to a sophisticated clientele, specifically hair professionals, and use different distribution channels than [TRANSLATION] "consumer goods" like AINHOA products. According to L'Oréal, this limits the risk of confusion, meaning that the two marks can co-exist. L'Oréal adds that Ms. Dalati's promise, on its behalf, that INOA products would be offered exclusively to professional distributors if it were successful in this appeal, is an additional relevant circumstance to include in considering the "nature of the trade" factor.

[99] I cannot accept this argument either. Le Registrar had to consider this factor in light of the terms set out in the application for registration of the INOA mark (*Masterpiece*, at paragraph 53), which he did, and he found, based on L'Oréal's own evidence, specifically the statement of goods included with the application, that there were no restrictions regarding the distribution channels of INOA products. The Registrar also noted that there was no assertion in

Mr. Tran's affidavit that INOA products were intended solely for professional hair salons and hairdressers. On this score, I find the Registrar's decision unassailable.

[100] Does Ms. Dalati's promise, made on February 11, 2015, save the day? I would argue it does not, since, as Cabinas rightly points out, this [TRANSLATION] "additional relevant circumstance" would not have affected the Registrar's decision because the promise was made after January 16, 2009, the relevant date for determination of the likelihood of confusion (*Masterpiece*, at paragraph 53).

[101] In short, the Registrar's analysis in connection with the likelihood of confusion, when considered as a whole, is consistent with the principles that should have guided it and was perfectly reasonable as far as outcomes are concerned. Again, the new evidence provided by L'Oréal in this regard, had it been adduced before the Registrar, would not have affected his findings on this point.

[102] One final comment should be made. L'Oréal wants the Court to draw negative inferences from Cabinas's not filing any evidence in response to its own for this appeal. I will refrain from doing so. The Registrar found that Cabinas had met its initial burden of proof. So it was up to L'Oréal to prove that this finding was wrong. The onus was on L'Oréal. Cabinas could very well decide, in the circumstances, to defend the Registrar's decision on this point based on the evidence before him. Moreover, it was up to L'Oréal to satisfy the Registrar that there was no likelihood of confusion between the competing marks, just like it was up to L'Oréal to satisfy this Court that the Registrar had erred in finding that this was not the case. Again, in

both cases, the onus was on L'Oréal, and again, Cabinas could very well decide not to respond to the new evidence if it felt, as was the case, that this evidence added nothing new to the record and consequently did not warrant a *de novo* review by the Court.

[103] For all these reasons, and despite the commendable efforts of counsel for L'Oréal, the appeal will be dismissed. Cabinas seeks costs. As I have ruled in its favour, I will allow them.

JUDGMENT

THIS COURT'S JUDGMENT is that the appeal is dismissed, with costs.

“René LeBlanc”

Judge

APPENDIX

Proposed marks	Marques projetées
<p>16 (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, unless at the date of filing of the application it was confusing with</p>	<p>16 (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 demande, elle n'ait créé de la confusion :</p>
<p>(a) a trade-mark that had been previously used in Canada or made known in Canada by any other person;</p>	<p>a) soit avec une marque de commerce antérieurement employée ou révélée au Canada par une autre personne;</p>
<p>(b) a trade-mark in respect of which an application for registration had been previously filed in Canada by any other person; or</p>	<p>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;</p>
<p>(c) a trade-name that had been previously used in Canada by any other person.</p>	<p>c) soit avec un nom commercial antérieurement employé au Canada par une autre personne.</p>
<p>...</p>	<p>[...]</p>
<p>Previous use or making known</p>	<p>Emploi ou révélation antérieur</p>
<p>(5) The right of an applicant to secure registration of a registrable trade-mark is not affected by the previous use or making known of a confusing trade-mark or trade-name by another person, if the</p>	<p>16(5) Le droit, pour un requérant, d'obtenir l'enregistrement d'une marque de commerce enregistrable n'est pas atteint par l'emploi antérieur ou la révélation antérieure d'une marque de</p>

confusing trade-mark or trade-name was abandoned at the date of advertisement of the applicant's application in accordance with section 37.

commerce ou d'un nom commercial créant de la confusion, par une autre personne, si cette marque de commerce ou ce nom commercial créant de la confusion a été abandonné à la date de l'annonce de la demande du requérant selon l'article 37.

...

[...]

Statement of opposition

Déclaration d'opposition

38 (1) Within two months after the advertisement of an application for the registration of a trade-mark, any person may, on payment of the prescribed fee, file a statement of opposition with the Registrar.

38 (1) Toute personne peut, dans le délai de deux mois à compter de l'annonce de la demande, et sur paiement du droit prescrit, produire au bureau du registraire une déclaration d'opposition.

Grounds

Motifs

38 (2) A statement of opposition may be based on any of the following grounds:

38 (2) Cette opposition peut être fondée sur l'un des motifs suivants :

(a) that the application does not conform to the requirements of section 30;

a) la demande ne satisfait pas aux exigences de l'article 30;

(b) that the trade-mark is not registrable;

b) la marque de commerce n'est pas enregistrable;

(c) that the applicant is not the person entitled to registration of the trade-mark; or

c) le requérant n'est pas la personne ayant droit à l'enregistrement;

(d) that the trade-mark is not distinctive.

d) la marque de commerce n'est pas distinctive.

FEDERAL COURT
SOLICITORS OF RECORD

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