

Federal Court



Cour fédérale

**Date: 20190822**

**Docket: T-457-15**

**Citation: 2019 FC 1083**

**Ottawa, Ontario, August 22, 2019**

**PRESENT: The Honourable Madam Justice St-Louis**

**BETWEEN:**

**ZARA NATURAL STONES INC.**

**Applicant**

**and**

**INDUSTRIA DE DISEÑO TEXTIL, S.A**

**Respondent**

**JUDGMENT AND REASONS**

[1] Zara Natural Stones Inc. (Natural Stones) appeals the decision rendered on January 16, 2015 by the Trade-marks Opposition Board (the Board), on behalf of the Registrar of Trade-marks, rejecting its application to register the trademark “ZARA” (the Mark). In brief, the Board found that the Mark is likely to create confusion with another trademark, “ZARA HOME”.

[2] For the reasons exposed below, the appeal will be allowed and the matter remitted to the Board for a new determination.

I. BACKGROUND

[3] On June 18, 2012, Natural Stones filed application No. 1,582,505 to register the Mark, based on use in Canada since at least as early as August 29, 2011, in association with the following wares (the Wares):

Paving blocks, namely, calibrated paver paving blocks, circular paving block kits, cobble paving blocks, octagonal paving block kits, paving and garden slab blocks, paving blocks with brushed top, paving blocks with sandblasted top, random flagstone paving blocks or crazy paving blocks, square cut flagstone paving blocks, tumbled paving blocks.

Paving stones, namely, calibrated paver paving stones, circular paving stone kits, cobbled paving stones, octagonal paving stone kits, paving and garden slab stones, paving stones with brushed top, paving stones with sandblasted top, random flagstone paving stones or crazy paving stones, square cut flagstone paving stones, tumbled paving stones.

Paving tiles, namely, calibrated paver paving tiles, circular paving stone kits, cobbled paving tiles, octagonal paving stone kits, paving and garden slab tiles, paving tiles with brushed top, paving tiles with sandblasted top, random flagstone paving tiles or crazy paving tiles, square cut flagstone paving tiles, tumbled paving tiles.

Stones, namely, bull nosed coping stones, curb stones, edging stones, hand dressed coping stones, kerb stones, natural hand bull nosed pier cap stones, pedestrian zone, park and garden wall and masonry stones, pool coping stones, step pier cap stone with hand chiseling, step pier cap stone with molded edges, step smooth pier cap stones, stepping stones, smooth globe pier cap stones, stones for the construction of ledge rock, stones for the construction of steps, stones for the construction of wall stone, wall coping stones.

[4] At that time, Industria de Diseno Textil, S.A. (Industria) already owned a number of registered trademarks, including multiple “ZARA” trademarks, and one “ZARA HOME” trademark. In addition, Industria had filed application No. 1,191,134 to register another “ZARA HOME” trademark in order to cover a multitude of goods, that include, *inter alia*, “floor coverings, namely: floor planks, pavement, tiles”.

[5] On February 13, 2013, Natural Stones’ application was advertised for opposition purposes, further confirming that the application was based on use of the Mark (Applicant’s Record at 38-39).

[6] On February 21, 2013, Industria filed a Statement of opposition under section 38 of the *Trade-Marks Act*, RSC, 1985, c T-13 [the Act]. In its Statement of opposition, Industria raised some 16 grounds of opposition, among which those based on paragraphs 16(3)(a),(b), and (c) of the Act, which deals to registration of a proposed trademark (Statement of opposition at paras 3.1-3.3). It is worth noting from the onset, that subsection 16(1) of the Act deals with registrations based on use.

[7] In the first paragraph of its Statement of opposition, Industria referred to Natural Stones’ application as being based on use. However, throughout its Statement of opposition, when referring to a ground of opposition based on section 16 of the Act, Industria referred solely to subsection 16(3), hence to the case of a proposed trademark, and to terms related to subsection 16(3), namely “proposed use” and “date of filing”, thus indicating that it was alleging confusion only from the day Natural Stones filed its application.

[8] On May 3, 2013, Natural Stones filed its Counterstatement, essentially denying each of Industria's grounds of opposition.

[9] On January 7, 2014, with leave from the Registrar, Industria amended its Statement of opposition only to add to the list of its trademarks. The grounds of opposition remained unchanged.

[10] Before the Board, Natural Stones filed the affidavit of Mr. Hasnain Ali Khatau, President of Natural Stones, sworn on December 17, 2013, to show evidence of the types of products sold by Natural Stones and of the use of the Mark. As evidence in support of its opposition, Industria filed the affidavit of Ms. Marie-Pier Desbiens, articling student, sworn on May 13, 2013, and attaching copies of the trademarks and trademark applications mentioned in the Statement of opposition, and the affidavit of Ms. Rosemarie Isabel Santos, Managing Director of a subsidiary of Industria, sworn on August 28, 2013, and showing Industria's use of its ZARA trademark in Canada.

[11] Industria's written arguments to the Board were limited to three paragraphs, and did not refer to subsections 16(1) or (3) of the Act. Industria rather stated, in general terms, that Natural Stones "is not the person entitled to the registration of the applied for trade-mark".

[12] On November 27, 2014, the Board heard Industria's opposition. At the hearing, Industria presented an oral request for leave to amend its Statement of opposition in order to replace all

references to subsection 16(3) of the Act by subsection 16(1). The Board allowed the amendment.

[13] On January 16, 2015, the Board refused Natural Stones' Application based solely on paragraph 16(1)(b) of the Act, which had been subject to the leave to amend. In its decision, after having stated the parties' respective burdens, the Board first addressed Industria's oral request to amend its Statement of opposition. The Board balanced the four criteria listed in the *Practice in Trade-mark Opposition Proceedings* notice as follows: (1) the leave to amend was requested at a very late stage of the opposition proceeding; (2) no explanation has been provided as to why the amendment was not made earlier, especially considering the fact that the Statement of opposition was already amended once prior; (3) there is no question that the amendment is important; and (4) the prejudice that Natural Stones would suffer is minimal because Industria clearly indicated in its Statement of opposition that the Application was filed on the basis of use in Canada, and because Natural Stones refers to section 16 in general in its Counterstatement. It concluded that Natural Stone was aware at all times of Industria's intention to plead subsection 16(1). The Board added that Industria intended to rely on subsection 16(1) of the Act and that the reference to subsection 16(3) was merely a typographical error. The Board concluded that the effect of the last two criteria outweighed the adverse effect on Industria of the first two, and granted Industria leave to amend its Statement of opposition.

[14] Then, the Board summarily rejected most of Industria's 16 grounds of opposition, retaining those based on the likelihood of confusion between the Mark and Industria's trademarks, namely registrability under paragraph 12(1)(d), entitlement under paragraphs

16(1)(a) and (b), and distinctiveness under section 2 of the Act, ultimately maintaining solely the ground of opposition based on paragraph 16(1)(b).

## II. PARTIES' SUBMISSIONS

### A. *Natural Stones' Position*

[15] Before the Court, Natural Stones filed additional evidence pursuant to subsection 56(5) of the Act: (1) the affidavit of Mr. Hasnain Ali Khatau, sworn on August 9, 2015; (2) the affidavit of Mr. Brandon Chung, law student, sworn on August 10, 2015; and (3) the transcript of the cross-examination of Mr. Khatau and Mr. Chung.

[16] Natural Stones pleads that (1) the Board should not have allowed Industria to amend its Statement of opposition; (2) additional evidence filed in the present proceedings will materially affect the Board's decision, such that the standard of review should be correctness; (3) the Board's decision is unreasonable; and (4) the Board's decision is incorrect.

[17] Regarding leave to amend the Statement of opposition, Natural Stones submits that the Board failed to properly consider or weigh the criteria set out in the *Practice in Trade-mark Opposition Proceedings* notice, because the Board allowed the amendment despite the fact that only one criterion favoured Industria, namely, the importance of the amendment.

[18] Regarding the standard of review, Natural Stones submits that the standard is reasonableness unless new material that would have materially affected the Board's decision is

filed, in which case the Court must come to its own conclusions as to the correctness of the decision (*Molson Breweries, a Partnership v John Labatt Ltd*, [2000] FCJ No 159 (Fed AD) at para 28).

[19] Regarding the additional evidence, Natural Stones states that the new evidence filed would materially affect the analysis of the three factors that the Board decided in Industria's favour: degree of resemblance, nature of the goods, and channels of trade. Natural Stones points out that the Board did not have any evidence of use of Industria's ZARA HOME trademark, of channels of trade in association with that mark, nor of the nature of Natural Stones' business. Natural Stones submits that it filed such evidence before this Court and that, based on this new evidence, the Board would have found that (1) the "pavement tiles" covered by Industria's ZARA HOME trademark are floor coverings, which cover existing floors, and are thus different from Natural Stones' building materials; and (2) the parties' channels of trade are different.

[20] Natural Stones submits that the Board's finding of likelihood of confusion was both unreasonable and incorrect. It states the test for confusion as "a matter of first impression in the mind of a casual consumer somewhat in a hurry, who does not pause to give the matter any detailed consideration or scrutiny" (*Veuve Clicquot* at para 20). It asserts that, considering the new evidence, the factors of subsection 6(5) of the Act weigh towards a finding that there is no likelihood of confusion in Canada: (1) the "nature of goods and business" factor favours Natural Stones: Industria's use in Spain of the ZARA HOME trademark is in association with home furnishings and décor and Industria's goods are floor coverings classified under the Nice Classification system as class 27, whereas Natural Stones' goods are non-metallic building

materials under class 19; (2) the “channels of trade” factor favours Natural Stones: essentially, Industria has retail stores in malls and Natural Stones operates in a shipping yard outside of an urban centre, and evidence of actual use is relevant and preferred over speculation (*Joseph E Seagram & Sons Ltd v Seagram Real Estate Ltd* (1990), 33 CPR (3d) 454 (Fed TD) at 469; *McDonald’s Corp v Coffee Hut Stores Ltd* (1994), 55 CPR (3d) 463 (Fed TD) at 473; *Jacques Vert Group Limited v YM Inc (Sales)*, 2014 FC 1242 at para 45 [*Jacques Vert*]; *Alticor Inc v Nutravite Pharmaceuticals Inc*, 2005 FCA 269 at para 37; *Sum-Spec Canada Ltd v Imasco Retail Inc* (1990), 30 CPR (3d) 7 (Fed TD) at 13); (3) the “inherent distinctiveness and extent to which the trademarks have become known” factor does not favour either party; (4) the “length of time” factor favours Natural Stones: it has used the ZARA trademark since at least as early as August 29, 2011, and Industria did not prove when it began using its ZARA HOME trademark; (5) the “degree of resemblance” factor should be given little weight considering the difference in goods and channels of trade (*Jacques Vert* at para 45); and (5) no evidence shows actual cases of confusion.

#### B. *Industria’s Position*

[21] Industria responds that (1) the Board was not incorrect nor unreasonable in allowing Industria to amend its Statement of opposition; (2) the applicable standard of review is reasonableness, because the additional evidence filed by Natural Stones would not have materially affected the Board’s findings (*Mattel, Inc. v 3894207 Canada Inc.*, 2006 SCC 22 at para 40 [*Mattel*]; *United Grain Growers Ltd v Lang Michener*, 2001 FCA 66 at para 8); and (3) the Board’s decision is neither unreasonable nor incorrect.



[22] With respect to the leave to amend, Industria pleads that the Board properly considered the relevant criteria. In particular, Industria asserts that the criterion of “why the amendment was not made earlier” is not decisive in the present circumstances, because Industria did not intend to add a new ground of opposition or broaden an existing one. Additionally, Industria argues that Natural Stones’ prejudice is minimal, as it was never taken by surprise and the amendment is merely technical.

[23] Industria argues that the Board’s assessment of the subsection 6(5) factors is reasonable and correct and that the evidence adduced by Natural Stones before this Court would not have influenced the Board’s decision.

[24] Concerning the inherent distinctiveness of the marks and the extent to which they have become known, Industria submits that the additional evidence does not suggest “Zara” is a common first name in Canada and that, in any case, Natural Stones is not contesting the Board’s finding in this aspect.

[25] Concerning the length of time the trademarks have been in use, Industria contends that the additional evidence does not show use of the Mark within the meaning of subsection 4(1) of the Act and should be awarded limited value. Industria adds that, in any event, this factor becomes important only to show whether the trademark has really and truly become distinctive, which Natural Stones failed to do (*Mattel* at para 77).

[26] Concerning the nature of the goods, Industria submits that the Board correctly concluded that the parties' goods are overlapping, which means that they "have something in common", and that the statement of goods in an application should be read without any limitations (*Mattel* at para 53; *Fisher Controls International Inc v Merak Products Ltd*, 2003 CanLII 71292 (TMOB) at 6). In addition, Industria asserts that parties need not necessarily operate in the same industry for there to be a likelihood of confusion (*Mattel* at para 65), that, for ordinary consumers, "pavement" includes paving stones and paving tiles, and that the Nice Classification is not in force in Canada (*Liverton Hotels International Inc v Maribel Linfield*, 2012 TMOB 8 at para 51). Industria adds that additional evidence is useless, given that the applications "say what they say" and that, contrary to Natural Stones' contention, Industria is not required to show that it sells paving tiles (Industria's Memorandum of Fact and Law at para 67).

[27] Concerning the nature of the trade, Industria argues that the additional evidence is irrelevant as it does not show use of the ZARA HOME trademark in association to pavement and tiles. Therefore, any channel of trade shown would be speculation. Industria also argues that emphasizing the differences in the nature of the goods and of the trade instead of considering the likelihood of confusion is an error (*Miss Universe Inc v Bohna* (1995), 58 CPR (3d) 381 (Fed AD)). Industria adds that there is a possible overlap in customers and that the mere possibility of the parties' goods being sold at the same points of sale is sufficient (*Caplan Industries Inc v 9158-1298 Quebec Inc*, 2016 TMOB 147 at paras 75, 81; *Cartier Men's Shops Ltd v Cartier Inc* (1981), 58 CPR (2d) 68 (Fed TD) at 72 [*Cartier*]).

[28] Concerning the degree of resemblance between the trademarks, Industria points out that the first component of a trademark is often the most important one and that this factor has the greatest effect on the confusion analysis (*Conde Nast Publications Inc v Union des Editions Modernes* (1979), 46 CPR (2d) 183 (Fed TD); *Masterpiece Inc v Alavida Lifestyles Inc*, [2011] 2 SCR 387 at para 49).

[29] Finally, Industria notes that evidence of actual confusion is irrelevant, as the proper test is likelihood of confusion (*Cartier* at 73).

### III. DISCUSSION

[30] The parties have raised a number of issues. As exposed below, I conclude that the Board's decision in allowing Industria to amend its Statement of opposition, at the hearing, is unreasonable given the circumstances, and I will thus allow the appeal.

[31] The Federal Court of Appeal reviewed a decision on the leave to amend a Statement of opposition on the standard of reasonableness in *McDowell v Automatic Princess Holdings, LLC*, 2017 FCA 126 at para 30 [*McDowell*]; I will thus use the same standard.

[32] In the Federal Court of Appeal's case, Ms. McDowell was opposing another company's application to register a trademark. She sought leave from the Board to plead the registration of her own trademarks, as they had been issued after she had filed her Statement of opposition. The Board refused to grant her leave to amend her Statement of opposition, and the Federal Court

upheld this refusal. The Federal Court of Appeal found the refusal unreasonable, and returned the matter to the Board with a direction that the amendment be allowed.

[33] The Federal Court of Appeal examined certain factors and found that: (1) Ms. McDowell sought the amendment late in the proceeding, hence, after the other party had filed its written argument, but this factor was mitigated by the fact that the prejudice suffered by the other party could be remedied by giving it additional time; (2) inadvertence was an explanation; and (3) the other party was likely aware of Ms. McDowell's omission, because the original Statement of opposition stated that registration for the trademarks was imminent and an affidavit later filed by Ms. McDowell included registrations of the trademarks as exhibits. The Federal Court of Appeal added that the long delay in dealing with the initial application for registration was a significant factor that ought to have led the Board to allow the amendment, as refusal to grant leave would prolong the uncertainty over the application. The extraordinary delays contributed to rendering the Board's decision unreasonable.

[34] The facts in the present proceedings, when compared to those in *McDowell*, warrant refusing leave to amend. First, Industria sought the amendment only after the hearing began before the Board, and Natural Stones was not given additional time. Second, Industria offered no explanation, not even inadvertence. Finally, contrary to the Board's conclusion in that regard, it does not appear so clear that Natural Stones knew that Industria intended to plead subsection 16(1) of the Act despite its references to subsection 16(3). Indeed, Industria's error does not appear to be "merely a typographical error" as the Board concluded. In addition to citing subsection 16(3) of the Act, Industria's Statement of opposition refers only to the "filing date of

the application”, which is the relevant date for assessing entitlement to registration of a trademark under subsection 16(3), not under subsection 16(1).

[35] In addition, the Board stated that Industria “clearly indicated in its Statement of opposition that the application was filed on the basis of use in Canada”. However, while Industria mentions this in its introductory paragraph, it repeatedly refers to the “proposed use” or the “filing date of the application” in the rest of its Statement (Statement of opposition at paras 1.1, 1.2, 1.3, 1.5, 3.1, 3.2, 3.3). At paragraph 3.5, Industria even pleads non-entitlement on the basis that “the Mark is not a proposed one but rather a used one”. The reference to subsection 16(3) cannot thus reasonably be construed as a typographical error.

[36] Given the factors outlined by the Federal Court of Appeal in *McDowell*, and given the particulars of the present case, I find the Board’s decision to allow Industria to amend its Statement of opposition to be unreasonable given the circumstances. The decision lacks intelligibility and does not fall within the range of possible, acceptable outcomes which are defensible in respect of the facts and law (*Dunsmuir v New Brunswick*, 2008 SCC 9 at para 47).

[37] Given my conclusion on this issue, it is not necessary to discuss the other issues.

**JUDGMENT in T-457-15**

**THIS COURT'S JUDGMENT is that:**

1. The appeal is allowed and the matter is returned to the Board for a new determination;
2. With costs in favor of the Applicant, Zara Natural Stones Inc.

“Martine St-Louis”

---

Judge

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-457-15

**STYLE OF CAUSE:** ZARA NATURAL STONES INC. AND INDUSTRIA DE  
DISEÑO TEXTIL, S.A.

**PLACE OF HEARING:** OTTAWA, ONTARIO

**DATE OF HEARING:** MARCH 6, 2019

**JUDGMENT AND REASONS:** ST-LOUIS J.

**DATED:** AUGUST 22, 2019

**APPEARANCES:**

Michael Adams FOR THE APPLICANT

Catherine Bergeron FOR THE RESPONDENT

**SOLICITORS OF RECORD:**

Riches, McKenzie and Herbert LLP FOR THE APPLICANT  
Barristers and Solicitors  
Toronto, Ontario

Robic, S.E.N.C.R.L. FOR THE RESPONDENT  
Barristers and Solicitors  
Montreal, Québec