

**Federal Court of Appeal**



**Cour d'appel fédérale**

**Date: 20211201**

**Docket: A-374-19**

**Citation: 2021 FCA 232**

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

**BETWEEN:**

**ZARA NATURAL STONES INC.**

**Appellant**

**and**

**INDUSTRIA DE DISEÑO TEXTIL, S.A.**

**Respondent**

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

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

**REASONS FOR JUDGMENT BY:**

**LOCKE J.A.**

**CONCURRED IN BY:**

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

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**REASONS FOR JUDGMENT**

**LOCKE J.A.**

**I. Background**

[1] This is one of two appeals that were heard the same day between the same parties. Both concern applications by the appellant in this appeal, Zara Natural Stones Inc. (ZNSI), to register trademarks. This appeal concerns application no. 1,525,938 filed on May 2, 2011 to register the

trademark ZARA Natural Stones & Design (the design mark) based on proposed use in association with various kinds of paving blocks, paving stones, paving tiles and stones. The other appeal (File No. A-353-19) concerns application no. 1,582,505 filed on June 18, 2012 to register the trademark ZARA (the word mark) based on use in Canada since at least as early as August 29, 2011 in association with the same wares. The design mark is reproduced here:



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

[3] The Trademarks Opposition Board (the Board) rejected the opposition, finding, among other things, that the design mark was not confusing with Industria’s ZARA HOME trademark (2015 TMOB 10).

[4] On appeal by Industria to the Federal Court, Justice Martine St-Louis (the Judge) found the Board's confusion analysis unreasonable, and allowed the appeal, remitting the matter to the Board for a new determination (2019 FC 1082).

[5] ZNSI now appeals to this Court requesting that the Federal Court's decision be set aside and the Board's decision be restored. For its part, Industria cross-appeals requesting that the matter not be remitted to the Board, that the opposition be accepted outright, and that the application to register the design mark be dismissed.

[6] For the reasons provided below, I would allow this appeal and restore the Board's decision rejecting the opposition. I would dismiss the cross-appeal.

## II. The Board's Decision

[7] The Board noted that the applicant, ZNSI, had the burden of showing that its trademark application did not contravene the provisions of the *Trademarks Act*, as alleged by the opponent, Industria.

[8] The Board also noted subsection 6(2) of the *Trademarks Act*, which concerns confusion between two trademarks and provides as follows:

**Confusion — trademark with other trademark**

(2) The use of a trademark causes confusion with another trademark if the use of both trademarks in the same area would be likely to lead to

**Marque de commerce créant de la confusion avec une autre**

(2) L'emploi d'une marque de commerce crée de la confusion avec une autre marque de commerce lorsque l'emploi des deux marques de

the inference that the goods or services associated with those trademarks are manufactured, sold, leased, hired or performed by the same person, whether or not the goods or services are of the same general class or appear in the same class of the Nice Classification.

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 services soient ou non de la même catégorie générale ou figurent ou non dans la même classe de la classification de Nice.

[9] The Board further noted and then considered the circumstances identified in subsection 6(5) of the *Trademarks Act* that are to be considered in determining confusion:

#### **What to be considered**

**(5)** In determining whether trademarks or trade names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including

**(a)** the inherent distinctiveness of the trademarks or trade names and the extent to which they have become known;

**(b)** the length of time the trademarks or trade names have been in use;

**(c)** the nature of the goods, services or business;

**(d)** the nature of the trade; and

**(e)** the degree of resemblance between the trademarks or trade names, including in appearance or sound or in the ideas suggested by them.

#### **Éléments d'appréciation**

**(5)** En décidant si des marques de commerce ou des noms commerciaux créent de la confusion, le tribunal ou le registraire, selon le cas, tient compte de toutes les circonstances de l'espèce, y compris :

**a)** le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans laquelle ils sont devenus connus;

**b)** la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage;

**c)** le genre de produits, services ou entreprises;

**d)** la nature du commerce;

**e)** le degré de ressemblance entre les marques de commerce ou les noms commerciaux, notamment dans la présentation ou le son, ou dans les idées qu'ils suggèrent.

[10] In relation to ZNSI's entitlement to registration of the design mark in view of Industria's ZARA HOME trademark application, the Board found that the first two factors in subsection 6(5) favoured neither party. The Board also found that the next two factors favoured the opponent, Industria, because there is overlap between the goods and there was no evidence to support ZNSI's argument that the goods would have different channels of trade.

[11] However, the Board concluded that the opposition on this ground should be rejected because the important factor of degree of resemblance (per paragraph 6(5)(e)) favoured the applicant, ZNSI. The Board found that the design mark has visually distinctive features, and that it is suggestive of the wares, whereas the ZARA HOME mark is suggestive of the environment where the opponent's wares could be used. At paragraph 64 of its decision, the Board found that "[a]s a whole the parties' marks differ visually, orally and in the ideas suggested by them."

### III. The Federal Court's Decision

[12] The Judge considered the Board's decisions in relation to the applications to register both the design mark and the word mark. She noted that the Board's confusion analysis as regards the opponent's ZARA HOME trademark was identical in the two decisions except for the analysis of the degree of resemblance. In respect of the word mark, the Board had focused on the first word ZARA, and found that the degree of resemblance favoured the opponent. The Judge took issue with the fact that the Board, in considering the design mark, failed to focus similarly on the first word. Citing the Supreme Court of Canada decision in *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27, [2011] 2 S.C.R. 387 at para. 63 (*Masterpiece*), she stated that the first word is

important. Based on the Board's silence, the Judge found it impossible to conclude that the Board had considered this point in its analysis.

[13] Relying on *Restaurants la Pizzaiolle Inc v. Pizzaiolo Restaurants Inc.*, 2015 FC 240, 130 C.P.R. (4th) 195, aff'd 2016 FCA 265, 142 C.P.R. (4th) 329 (*Pizzaiolle*), the Judge concluded that the different treatment of the importance of the first word in the two decisions of the Board "caused a breakdown in the rationality of the impugned decision, thus placing it outside of 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)."

[14] The Judge also stated that "[t]he unintelligibility of the Board's decision is even more apparent as it did not limit its exam to the visual effect of the Design Mark. It concluded that 'the parties' marks differ visually, orally and in the ideas suggested by them'." [Original emphasis] The Judge found that the dominant element of both marks is the word "ZARA" (just as was found in the Board's decision on the word mark), and concluded that, even if the graphic elements were such that the marks differ enough visually, that could not be said of the difference between the marks orally.

#### IV. Standard of Review

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

[16] The Judge applied a standard of review of reasonableness. This was the proper standard of review at the time: see *McDowell v. Automatic Princess Holdings, LLC*, 2017 FCA 126, 148 C.P.R. (4th) 1 at para. 30. However, the decision of the Supreme Court of Canada in *Canada (Minister of Citizenship and Immigration) v. Vavilov*, 2019 SCC 65, 441 D.L.R. (4th) 1 (*Vavilov*), has changed things. The majority in *Vavilov* directed at paragraph 36 that, where a legislature has provided for an appeal of the decision of an administrative decision-maker (as is the case here), the appellate standard contemplated in *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235 (*Housen*), should apply. *Housen* directs that the standard of correctness applies to questions of law, and the standard of palpable and overriding error applies to questions of fact or of mixed fact and law in which there is no extricable issue of law. This appellate standard should apply going forward to appeals from the Board, at least on issues like this one in which no additional evidence has been introduced before the Federal Court: *Clorox Company of Canada, Ltd. v. Chloretec S.E.C.*, 2020 FCA 76, 172 C.P.R. (4th) 351 at paras. 18-23.

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



V. Analysis

[18] Regardless of the standard of review that the Judge should have applied to the Board's decision, she was not empowered to intervene in the absence of an error by the Board. In the paragraphs below, I will explain why I conclude that the Judge erred in finding that the Board had made a reviewable error whether under the reasonable standard of review or the appellate standard.

A. *Reasonableness*

[19] As indicated above, the Judge's concerns with the Board's decision were that it lacked intelligibility in view of (i) the focus on the first word in its decision concerning the word mark, but not in its decision concerning the design mark, and (ii) the statement that the parties' marks differ orally.

[20] So, was it unreasonable for the Board to focus on the first word when comparing ZARA HOME to the word mark (ZARA), but not when comparing ZARA HOME to the design mark? Despite the Board's silence, in its decision concerning the design mark, on the importance of the first word, it would be difficult to conclude that the Board was unaware of this principle. It relied on the principle in its decision on the word mark released the same day. The real difference is that the Board was not guided by that principle when addressing the design mark as it was when addressing the word mark. Therefore, the better question to ask here is whether there was a good reason to treat this principle differently in the two cases.

[21] In my view, it is easy to understand that the first word may be more important in a case comparing a one-word trademark to a two-word trademark, than in comparing a trademark with three words and several design elements to the same two-word trademark. The Board's different treatment of these two cases does not give me the same difficulty as it gave the Judge.

[22] One explanation for the Judge's view may be an overly simplistic view of the importance of the first word. Though paragraph 63 of *Masterpiece* did indeed state the principle that the first word is important, the Supreme Court of Canada went on in paragraph 64 to clarify that the first word may be important in some cases.

[23] In this case, the Board explained that the design mark and the ZARA HOME trademark differ in the ideas they suggest: the former being suggestive of the wares, and the latter being suggestive of the environment where they could be used. I understand the second of these conclusions to be based on the word "HOME" in the mark. I understand the first conclusion to be based at least in part on the words "Natural Stones" in the mark.

[24] Despite the finding in *Pizzaiolle* that the different treatment by the Board of the word mark and the design mark in that case was unreasonable, I do not accept that such a factually suffused conclusion must necessarily apply here. Neither have I been convinced that the facts in *Pizzaiolle* are so similar to those in the present appeal as to affect my conclusion. In my view, the Judge erred in finding that it was unreasonable for the Board to have focused on the first word in considering the word mark but not in considering the design mark.

[25] The Judge's further conclusion that the Board erred in concluding that the parties' marks differ orally is also unjustified. The Board's statement was actually, "[a]s a whole the parties' marks differ visually, orally and in the ideas suggested by them" [emphasis added]. When considered as a whole, the design mark, including the words "Natural Stones" does differ orally from ZARA HOME.

B. *The Appellate Standard*

[26] I reach the same conclusion if I consider the appellate standard of review whereby questions of law are reviewed on a correctness standard and questions of fact or of mixed fact and law in which there is no extricable issue of law are reviewed on a palpable and overriding error standard.

[27] I have explained above that I see no error of law in the Board's understanding and application of the principle that the first word of a trademark is important. I also see no inconsistency between the Board's statement that the parties' marks differ orally and the *Pizzaiolle* case. Accordingly, I see no error of law by the Board.

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

[29] The Board identified and considered all of the circumstances enumerated in subsection 6(5) of the *Trademarks Act* for reference in determining whether two trademarks are confusing. The only arguments concerning those circumstances made by Industria on appeal before the Judge were with regard to paragraph 6(5)(e): the degree of resemblance between the trademarks or trade names, including in appearance or sound or in the ideas suggested by them.

[30] Industria does not dispute that “the degree of resemblance, although the last factor listed in s. 6(5), is the statutory factor that is often likely to have the greatest effect on the confusion analysis”: *Masterpiece* at para. 49. Nor does Industria argue that this factor can never outweigh other factors that point in the opposite direction.

[31] The question comes down to whether the Board made a palpable and overriding error in its consideration of the importance of the first word, or in its statement that the parties’ marks differ orally. For essentially the same reasons that I find the Board’s analysis of these issues to be reasonable, I also see no palpable and overriding error.

## VI. Conclusion

[32] I would allow the present appeal, set aside the Judge’s decision, and restore the Board’s decision rejecting the opposition.

[33] I would dismiss the cross-appeal.

[34] I would award costs in favour of ZNSI before this Court and the Federal Court.

"George R. Locke"

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J.A.

"I agree.

J.D. Denis Pelletier J.A. "

"I agree.

Johanne Gauthier J.A. "

**FEDERAL COURT OF APPEAL**

**NAMES OF COUNSEL AND SOLICITORS OF RECORD**

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**STYLE OF CAUSE:** ZARA NATURAL STONES INC.  
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TEXTIL, S.A.

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GAUTHIER J.A.

**DATED:** DECEMBER 1, 2021

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