Federal Court of Appeal addresses new standard of review for trademark opposition appeals

May 13, 2020

***The Clorox Company of Canada, Ltd. v. Chloretec S.E.C.*, 2020 FCA 76**

This is an appeal of a Federal Court (FC) decision, in which the Court upheld the decision of the Trademark Opposition Board (TMOB), rejecting Clorox's opposition to two trademark applications by Chloretec. The Federal Court of Appeal (FCA) dismissed the appeal.

Chloretec filed trademark applications to register two trademarks, JAVELO and JAVELO & DESIGN, based on proposed use in association with "eau de javel". The list of goods was later amended. Clorox filed statements of opposition on a number of grounds, namely that the applications were contrary to section 2, paragraphs 12(1)(d), 16(3)(a) and (b), 30(b) and section 50 of the *Trademarks Act*. Clorox filed evidence of its JAVEX trademark registrations and Chloretec filed evidence. The TMOB rejected the opposition.

Clorox appealed pursuant to section 56(1) of the *Trademarks Act*, filing new evidence. Clorox alleged the Registrar erred in finding no confusion between the JAVELO marks and the JAVEX marks; that the JAVELO marks were distinctive of Chloretec; and that use of the JAVELO marks did not take place prior to the filing date of the applications. The FC dismissed the appeal.

The FCA considered the standard of review in light of the decision of the Supreme Court of Canada (SCC) in *Canada (Minister of Citizenship and Immigration) v. Vavilov*, 2019 SCC 65 (*Vavilov*). The FCA concluded *Vavilov* has no effect on the standard of review the FCA must apply when reviewing the FC's findings in relation to the materiality of new evidence. The reason for this is that the FC is not acting as a reviewing court but as a court of first instance in respect of the new evidence. As a result, the FC decision must be reviewed on an appellate standard. It is a question of mixed fact and law and thus the appropriate standard is a palpable and overriding standard.

When the new evidence is found to be material, section 56(5) of the *Trademarks Act* states that the FC "may exercise any discretion vested in the Registrar". The FCA noted that this is in the nature of an appeal *de novo* and is assessed on the correctness standard. While in *Vavilov* it is clear that reasonableness is the presumptive standard of review when a court reviews the merits of an administrative decision, the presumption will be rebutted in the face of a clear indication in the legislation that a different standard should apply. Section 56(5) of the *Trademarks Act* provides such an indication, and the FCA concluded that effect should be given to this intent.

If no new evidence is submitted to the FC or if the supplementary evidence is correctly found not to be material, *Vavilov* has provided a new standard. In particular, the standard of review that both the FC and the FCA should apply in an appeal pursuant to section 56(1) is the appellate standard of review. That is, for questions of fact and mixed fact and law (except for extricable questions of law), the applicable standard is palpable and overriding error and for questions of law, the standard is correctness.

The FCA assessed whether the FC erred in its approach to the fresh evidence submitted by Clorox, and found no palpable and overriding error. The FC had rejected survey evidence and the FCA noted that these surveys were not presented to the Court through a qualified expert as stated by the SCC in *Mattel* to be required. The FCA agreed with a number of the criticisms of the evidence noted by the FC.

The next question considered by the FCA was whether the FC erred in law or in fact by applying the wrong legal test for confusion or by failing to properly consider the evidence. Clorox argued that while the FC was well aware of the test for confusion and properly quoted the test, the FC erred in writing that a consumer "is not always hurried to the same extent" for valuable or niche market goods. The FCA found no error in that statement and in fact found that it was consistent with the decision of the SCC in *Mattel*. The degree of care of the relevant consumer may vary with the circumstances and the normal channels of trade for a particular good must be taken into account. The FCA noted that the appellant was asking the Court to re-weigh the evidence and come to a different conclusion than that reached by the TMOB and the FC. The FCA noted that the appellant must convince the Court that the FC made an error that is obvious and it goes to the very core of the outcome of the case, which is a very deferential standard of review.

In reviewing the decision as it related to confusion, the FCA began with the degree of resemblance, which the FCA stated is the most determinative factor. The FCA was not convinced that the FC made a palpable and overriding error in assessing the degree of resemblance between the marks. There was no new evidence on this issue and therefore the TMOB's findings were entitled to a high degree of deference.

The FCA considered the inherent and acquired distinctiveness of the marks. The appellant had filed new evidence only in respect of acquired distinctiveness and therefore the FCA's role was to determine if the FC erred in assessing the TMOB's reasons on inherent distinctiveness and in carrying out its own assessment in respect of acquired distinctiveness. The FCA dismissed the appellant's arguments in this regard.

The FCA considered the length of time during which the marks had been in use. The FCA noted that the appellant disagreed with the FC's assessment of the new evidence but this is not a sufficient reason for the FCA to intervene.

The appellant objected to the weight given by the TMOB and the FC to the nature of the goods, services or business and the nature of the trade. The FCA noted that a palpable and overriding error was required and this was not present.

The appellant had also raised objections with respect to the dismissal of its other grounds of opposition. The FCA addressed those and specifically focused on the grounds of section 50 (non-distinctiveness due to third party use) and section 30(b) (use prior to the application for registration). The FCA concluded that the appellant reargued that which it argued before the TMOB and the FC and was unable to point to any palpable and overriding error. As a result, the FCA refused to disturb the FC's findings. The FCA dismissed the appeal, with costs to the respondent.

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