CLOROX V CHLORETEC: THE APPLICATION OF *VAVILOV* IN THE TRADEMARKS CONTEXT

Posted on July 23, 2020

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In April 2020, the Federal Court of Appeal issued its decision in *The Clorox Company of Canada, Ltd v Chloretec SEC*.[1] The *Chloretec* decision provides explicit guidance from the Federal Court of Appeal on how the Supreme Court of Canada's decision in *Canada (Minister of Citizenship and Immigration) v Vavilov*[2] is applied to appeals made under Section 56 of the *Trademarks Act* (the "Act"). The *Chloretec* decision is therefore of interest to any parties or practitioners who may challenge a decision of the Registrar of Trademarks or its delegate, the Trademarks Opposition Board ("TMOB").

The *Vavilov* Decision Changes Administrative Law

The Supreme Court of Canada ended 2019 by issuing a trilogy of landmark decisions in the judicial review arena that, among other things, collectively clarified the law on standard of review.[3] The primary decision within this trilogy of decisions is *Vavilov*, which has a fact pattern that comes straight out of the Cold War. The *Vavilov* decision tackled a number of administrative law concepts revolving around the standard of review applied to administrative decision-makers and revisited the frameworks set out in previous decisions of the Supreme Court of Canada.

The particular learning from *Vavilov* that is the focus in *Chloretec* is the holding that *appellate* standards of review apply where a statute provides for an appeal from an administrative decision to a court.[4] While this may sound trite in isolation, it had been the law for many years that appeals of administrative decisions would not have appellate standards applied, even if the governing statute required it. As a function of Canadian common law, the court previously applied *administrative* standards of review to all administrative decisions, regardless of the language in the statute.

The Chloretec Decision

The *Chloretec* decision is a Federal Court of Appeal decision considering a Federal Court's decision on an appeal of a TMOB matter.

Clorox opposed two of Chloretec's trademark applications for the registration of "JAVELO" and "JAVELO &

DESIGN" in association with made-to-order bleach at the TMOB. Clorox opposed Chloretec's applications on a number of grounds, including alleged confusion with Clorox's own JAVEX trademarks registered in association with bleach. The TMOB dismissed the oppositions.

The Federal Court dismissed Clorox's appeal of the TMOB's decision, notwithstanding the supplementary evidence that was filed by Clorox under subsection 56(5) of the Act.

Both the TMOB decision and the Federal Court decision were rendered before the issuance of the *Vavilov* decision.

Chloretec Applies Vavilov's Impact on the Applicable Review Standards

The *Vavilov* decision, as applied in the *Chloretec* decision, impacts the standard of review that the Federal Court should undertake when it hears an appeal of a TMOB decision made pursuant to Section 56 of the Act. [5] Namely, the Federal Court, when hearing an appeal of a TMOB decision, should consider the following standards of review:

1. If new material evidence is adduced on appeal of a TMOB decision to the Federal Court, then the case will be heard de novo. In such instances, the decision will be reviewed on a "correctness" standard.[6]
2. If no new material evidence is adduced before the court, then appellate standards apply. An appellate court should apply: (i) the standard of correctness for "questions of law"; and (ii) the standard of palpable and overriding error for "questions of fact" and "questions of mixed fact and law where the legal principle is not readily extricable".[7] Palpable means an error that is obvious, and overriding means an error that affects the outcome of the case[8]. Where the standard is "palpable and overriding error", the TMOB's findings will be afforded a high degree of deference.

The Impact on Appeals of the TMOB

The shift in review standards will ultimately affect stakeholders in trademark, or other intellectual property, matters involving the Registrar of Trademarks, the TMOB, or the Commissioner of Patents. The consequence of the legal framework adjustment provided for in *Chloretec* is that some decisions not involving new evidence will be likely be harder to appeal and some determinations will likely be easier to appeal.

A party wishing to challenge a determination of law made by the TMOB will have the benefit of the appellate standard of correctness. The court will review questions of law without affording the deferential reasonableness standard that previously applied. This is beneficial to potential appellants.

A party wishing to challenge a factual determination or one of mixed fact and law may have a more difficult argument than before *Vavilov*. Such matters were formerly reviewed on the deferential standard of

"reasonableness", which focuses on "the existence of justification, transparency and intelligibility within the decision-making process".[9] Now, the standard of "palpable and overriding error" applies, which requires one to be able to put a finger on a crucial flaw, fallacy, or mistake,[10] or one that must be "plainly seen".[11] Although both reasonableness and palpable and overriding error are deferential legal standards, the Federal Court of Appeal calls "palpable and overriding error" an even more deferential standard of review than that of reasonableness. It remains to be seen how such reviews will compare in practice, however, and a party relying on jurisprudence where the court applied the deferential standard of review should proceed with caution.

Many issues which appellants wish to tackle will fall into the more stringent appellate standard. For example, the *Chloretec* decision addressed questions of the degree of resemblance between the Clorox and Chloretec marks, and was undoubtedly right to construe it as a question of mixed fact and law to which the "palpable and overriding" standard applies.

As a consequence, it was and is possible, both before and after *Chloretec*, for the court to apply a deferential standard to the TMOB's decisions. It will be up to well-informed counsel to carefully consider their grounds of appeal and focus on strict errors of law if they exist. Those will now form a "cleaner" appeal route.

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[1] 2020 FCA 76 [*Clorox v. Chloretec*], aff'g 2018 FC 408 [*Clorox FC*], aff'g 2016 TMOB 30 [*Clorox TMOB*].[ps2id id='1' target='/]
[2] 2019 SCC 65 [*Vavilov*].[ps2id id='2' target='/]
[3] 2019 SCC 65, 2019 SCC 66, 2019 SCC 67.[ps2id id='3' target='/]
[4] *Supra* note 1, para. 37.[ps2id id='4' target='/]
[5] *Supra* note 2, para. 20: The *Vavilov* decision has no bearing on the standard of review that the Federal Court of Appeal undertakes in reviewing a Federal Court decision (namely, the standard of review applied by the Federal Court of Appeal to a Federal Court decision is the "appellate standard of review" established in *Housen v Nikolaisen*).[ps2id id='5' target='/]
[6] *Supra* note 2, para. 21.[ps2id id='6' target='/]
[7] *Supra* note 2, para. 23.[ps2id id='7' target='/]
[8] *Pentastar Transportation Ltd v FCA US LLC*, 2020 FC 367, para 47.[ps2id id='8' target='/]
[9] *Dunsmuir v New Brunswick*, 2008 SCC 9.[ps2id id='9' target='/]
[10] *H L v Canada (Attorney General)*, 2005 SCC 25, para. 70.[ps2id id='10' target='/]
[11] *Supra* note 5, para. 6.[ps2id id='11' target='/]

a cautionary note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against

making any decisions based on this material alone. Rather, specific legal advice should be obtained.