

Federal Court of Appeal



Cour d'appel fédérale

Date: 20170614

Docket: A-422-15

Citation: 2017 FCA 126

**CORAM: PELLETIER J.A.
WEBB J.A.
NEAR J.A.**

BETWEEN:

HEATHER RUTH MCDOWELL

Appellant

and

AUTOMATIC PRINCESS HOLDINGS, LLC

Respondent

Heard at Toronto, Ontario, on September 13, 2016.

Judgment delivered at Ottawa, Ontario, on June 14, 2017.

REASONS FOR JUDGMENT BY:

PELLETIER J.A.

CONCURRED IN BY:

**WEBB J.A.
NEAR J.A.**

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REASONS FOR JUDGMENT

PELLETIER J.A.

I. **INTRODUCTION**

[1] This is an appeal from a decision of the Federal Court, reported as 2015 FC 980, dismissing an application for judicial review of an interlocutory decision of a member of the Trade-marks Opposition Board (the Board) under the delegated authority of the Registrar of

Trade-marks. The Board dismissed the appellant Heather Ruth McDowell's (McDowell) request to amend her statement of opposition to the respondent Automatic Princess Holdings, LLC's (Automatic Princess) application to register a trade-mark. The Federal Court dismissed the application for judicial review on the basis that there were no special circumstances that would justify reviewing an interlocutory decision. In particular, the Federal Court found that McDowell had an adequate alternate remedy in the form of other proceedings under the *Trade-marks Act*, R.S.C. 1985 c. T-13 (the Act).

[2] There are conflicting decisions of the Federal Court as to what constitutes an adequate alternate remedy in the context of interlocutory decisions in trade-mark opposition proceedings. This appeal provides an opportunity to resolve this conflict. For the reasons set out below, I would allow the appeal.

II. THE FACTS

[3] In 2002, McDowell applied to register the HONEY trade-mark; in 2003, she applied to register the HONEY & DESIGN trade-mark.

[4] In 2003, Automatic Princess applied to register the trade-mark HONEY B. FLY. In 2009, the trade-mark was approved and advertised in the Trade-marks Journal.

[5] On May 3, 2010, McDowell filed a statement of opposition opposing Automatic Princess' application. The statement of opposition was based on non-entitlement and non-

distinctiveness. It did not plead or refer to paragraph 12(1)(d) of the Act, which provides that a trade-mark is not registrable if it is confusing with a registered trade-mark.

[6] On May 18, 2010, HONEY and HONEY & DESIGN were registered as trade-marks.

[7] In July 2010, Automatic Princess filed a counter-statement. In November 2010, McDowell filed the affidavit of Elenita Anastacio, which included the registrations for the HONEY and HONEY & DESIGN trade-marks. As can be seen from the chronology above, the registration of the marks was issued after McDowell filed her statement of opposition. Ms. Anastacio was cross-examined on her affidavit but was not asked any questions about the trade-mark registrations that were exhibits to her affidavit.

[8] Automatic Princess filed its own affidavit in 2013. In March 2014, McDowell indicated that she would not file written argument and asked for an oral hearing. Automatic Princess filed its written argument in July 2014 and also requested an oral hearing.

[9] This was the state of opposition proceedings when McDowell realized that she had not pleaded the registration of her trade-marks or paragraph 12(1)(d) of the Act. On August 14, 2014, counsel on her behalf wrote to the Board requesting leave to file an amended statement of opposition. That letter pointed out that:

The original statement of opposition included copies of the pending applications for McDowell's trade-marks and indicated that both had been allowed and that registration was therefore imminent.

Copies of the registrations of McDowell's trade-marks were attached as exhibits to the Anastacio affidavit.

Notwithstanding the fact that the registrations were put into evidence, no questions about them were asked when Anastacio was cross-examined on her affidavit.

In the circumstances, counsel of Automatic Princess should be taken to have been aware of the existence of the registrations and to have chosen not to cross-examine Anastacio with respect to those registrations.

As a result, Automatic Princess would suffer no prejudice if the amendment were allowed, but McDowell was prepared to consent to reasonable measures to allow the former to amend its argument to reflect the fact of the registrations and to respond to arguments based on paragraph 12(1)(d) of the Act.

[10] The Board rejected McDowell's application for leave to amend her statement of opposition. It noted that the application was made at a very late stage in the proceedings, probably after having read Automatic Princess' written argument. The Board also noted the absence of an explanation for the failure to plead the registrations other than inadvertence. Furthermore, the amendment was of some importance since it added a ground of opposition that does not require McDowell to lead evidence of use of her trade-marks.

[11] The Board was of the view that Automatic Princess would be prejudiced by the amendment as it would allow McDowell to split her case, which was not in the interests of justice. With that in mind, and having regard to the factors set out in Part VII of Practice in Trade-mark Opposition Proceedings (the Board's procedure manual), the application to amend the statement of opposition was dismissed. The factors in Part VII are the ones to which the Board had already referred in its decision.

[12] An application to have the Board reconsider its decision was also dismissed.

III. THE FEDERAL COURT DECISION

[13] After setting out the facts, the Federal Court turned to the threshold issue of whether it should entertain a judicial review of an interlocutory decision. Citing this Court's decisions in *Szczecka v. Canada (Minister of Employment and Immigration)*, 116 D.L.R. (4th) 333, 25 Imm. L.R. (2d) 70 (F.C.A.) [*Szczecka*] and *C.B. Powell Ltd. v. Canada (Border Services Agency)*, 2010 FCA 61, [2011] 2 F.C.R. 332 [*C.B. Powell*], the Federal Court held that, in the absence of special circumstances, a reviewing court should not judicially review interlocutory decisions. One special circumstance among others is the absence of an adequate alternative remedy. This led to a consideration of the conflicting jurisprudence in the Federal Court. While the Federal Court cases are consistent on the need for special circumstances, they differ on whether there is an adequate alternate remedy in the case of a refusal to permit an amendment to a statement of opposition.

[14] In *Parmalat Canada Inc. v. Sysco Corporations*, 2008 FC 1104, 69 C.P.R. (4th) 349 [*Parmalat*] the Federal Court noted that, on the authority of *McDonald's Corp. v. Coffee Hut Stores Ltd.*, 55 C.P.R. (3d) 463, 76 F.T.R. 281 (F.C.) [*McDonald's*], there is no right of appeal from the dismissal of an application to amend a statement of opposition. As a result, there is no remedy for an aggrieved party within the administrative proceedings before the Board or at their conclusion. This was found to be a special circumstance that justified judicial review of an interlocutory decision dismissing an application to amend a statement of opposition.

[15] I might add that it appears to me that *McDonald's* is a doubtful authority. However, given that it was not challenged, I leave the question of its correctness to be determined when it arises.

[16] In the decision below, the Federal Court noted that in *Dairy Processors Association of Canada v. Dairy Farmers of Canada*, 2014 FC 1054, 128 C.P.R. (4th) 393 [*Dairy Processors*], the Court found that the availability of remedies other than in administrative proceedings before the Registrar was not an adequate alternative remedy as contemplated by *Szczecka* and *C.B. Powell* because those procedures occurred outside the framework of the original proceedings.

[17] On the other hand, in *Indigo Books & Music Inc. v. C. & J. Clark International Ltd.*, 2010 FC 859, 86 C.P.R. (4th) 349 [*Indigo*], the Federal Court held that there was an adequate alternate remedy due to the fact that the aggrieved party could commence other proceedings, outside the framework of the opposition proceedings, seeking a remedy such as expungement. As a result, there were no special circumstances justifying the Federal Court's intervention.

[18] Citing *C.B. Powell*, the Federal Court commented that its disinclination to intervene in interlocutory proceedings avoids fragmenting the administrative process and eliminates the costs and delays associated with interlocutory judicial review, particularly when the applicant for judicial review may be successful in the underlying proceeding in any event.

[19] The Federal Court distinguished *Parmalat* and *Dairy Processors*, saying that the amendments sought to be introduced in those cases raised issues that were not properly the subject of opposition proceedings. The Federal Court also expressed its concern with respect to parties splitting their cases. It found the reasoning in *Indigo* more persuasive than that in *Parmalat* or *Dairy Processors*.

[20] In the end, the Federal Court found that there were no special factors justifying the Court's intervention with respect to the Board's interlocutory decision and dismissed the application for judicial review.

IV. ISSUES

[21] I would frame the issues in this appeal as follows:

- A. Does McDowell have an adequate alternate remedy such that her application for judicial review should be dismissed?
- B. If not, is the Board's decision reasonable?

V. ANALYSIS

- A. *Does McDowell have an adequate alternate remedy such that her application for judicial review should be dismissed?*

[22] The debate in the Federal Court jurisprudence centres on the question of what constitutes an adequate alternate remedy. In *Dairy Producers* and *Parmalat*, the Federal Court held that an adequate alternate remedy must be one that is available within the administrative process itself, while in *Indigo*, it found that another proceeding that could lead to the same result was an adequate alternate remedy.

[23] This Court dealt with the issue of adequate alternate remedy in *C.B. Powell*. The Court began its analysis of this issue as follows:

Under the Act, Parliament has established an administrative process of adjudications and appeals in this area. This administrative process consists of initial CBSA decisions or deemed assessments under section 58, further

determinations by CBSA officials under section 59, additional determinations by the President of the CBSA under section 60 and appeals to the CITT under subsection 67(1). The courts are no part of this. Allowing the courts to become involved in this administrative process before it is completed would inject an alien element into Parliament's design.

C.B. Powell at para. 28

[24] The Court then concisely stated the legal basis for its view that “[t]he Courts are no part of this”:

The normal rule is that parties can proceed to the court system only after all adequate remedial recourses *in the administrative process* have been exhausted. The importance of this rule in Canadian administrative law is well-demonstrated by the large number of decisions of the Supreme Court of Canada on point: [citations omitted].

C.B. Powell at para. 30 (my emphasis)

[25] It is clear from these passages that recourse to the courts before the remedies provided *in the administrative process* have been exhausted is not justified. There is no ambiguity on this point. The fact that a different proceeding, pursuant to a different statutory provision, might produce the same result does not engage the doctrine of adequate alternate remedy. The objective is to avoid fragmenting administrative processes that already provide for a form of review. It is not to force litigants into different proceedings to obtain redress. As a result, it is my view that *Indigo* was wrongly decided and ought not to be followed.

[26] The Federal Court appears to have confused adequate alternate remedy and prematurity. The doctrine of adequate alternate remedy comes within the broader doctrine of prematurity, but they are not the same. While both address the issue of fragmentation of administrative proceedings by untimely recourse to the courts, each addresses a slightly different issue.

Adequate alternate remedy deals with the case of respecting the administrative scheme created by Parliament, as in *C.B. Powell*. Prematurity deals with preventing parties from delaying proceedings by coming to court for a remedy that may prove to be moot or overtaken when the tribunal renders its final decision. Prematurity is best understood in the context of interlocutory decisions.

[27] In this case, neither the doctrine of adequate alternate remedy nor that of prematurity is applicable. This is not a case where the legislation provides for an administrative review of the Board's decision. For that reason, the doctrine of adequate alternate remedy is not a ground for refusing to intervene. As for prematurity, the dismissal of the application to amend the statement of opposition means that the Board will not deal with the issue of paragraph 12(1)(d) in its final decision. As a result, there is no possibility that McDowell will obtain the relief she seeks from the Board. Therefore, the application for judicial review is not premature.

[28] As a result, I am of the view that the Federal Court erred in law when it dismissed the application for judicial review on the basis that McDowell had an adequate alternate remedy.

B. *If not, is the Board's decision reasonable?*

[29] The first step in appellate review is the determination of the standard of review. When this Court hears an appeal from the Federal Court sitting as a court of review, it must decide if the Federal Court chose the appropriate standard of review and applied it correctly: *Dr. Q. v. College of Physicians and Surgeons of British Columbia*, 2003 SCC 19 at para. 43, [2003] 1 S.C.R. 226. In practical terms, this means that this Court steps into the shoes of the Federal Court

and focuses on the underlying administrative decision: *Agraira v. Canada (Public Safety and Emergency Preparedness)*, 2013 SCC 36 at para. 46, [2013] 2 S.C.R. 559.

[30] The standard of review of specialized administrative tribunals is presumed to be reasonableness, subject to certain exceptions that are not relevant to this case: *McLean v. British Columbia (Securities Commission)*, 2013 SCC 67 at paras. 21-22, [2013] 3 S.C.R. 895. The presumption of reasonableness has not been rebutted here, nor could it be.

[31] The reasons given by the Board for its refusal to allow McDowell to amend her statement of opposition do not, with respect, withstand critical scrutiny. The Board noted that the application to amend was made late in the proceedings, probably after having read Automatic Princess' written argument. The Board was also concerned that allowing the amendment would allow McDowell to split her case, to Automatic Princess' prejudice.

[32] It is true that the amendment was sought late in the proceeding; in particular, it was sought after Automatic Princess had filed its written argument. This is a factor to be considered but where any prejudice caused by the delay can be remedied by allowing the other party additional time, it ought not be a determinative factor.

[33] It is difficult to understand how permitting the amendment would allow McDowell to split her case. The purpose of the amendment was to allow the Board to consider all the issues. McDowell was not seeking to gain some advantage by forcing Automatic Princess to commit itself to a position without knowledge of all the material facts. The registrations were included as

exhibits to the Anastacio affidavit. Automatic Princess had notice of the registrations and was likely aware of McDowell's omission before she was. Any prejudice to Automatic Princess can be remedied by giving it time to take such steps as the Board deems necessary to achieve fairness.

[34] It is also difficult to understand the Board's statement that no explanation other than inadvertence was offered for the failure to plead the registrations and paragraph 12(1)(d) of the Act. This suggests that inadvertence in and of itself is not an explanation. I am unable to understand why the Board would have that opinion. Inadvertence is a fact of life and while we all hope to avoid missteps due to inadvertence, we are not always successful. McDowell's counsel explained the circumstances leading to the application. There was no reason to disbelieve the explanation he gave.

[35] A further consideration in assessing the reasonableness of the Board's decision is the fact that it failed to consider a significant factor that ought to have led it to allow the amendment, namely the long delay in dealing with Automatic Princess' application for registration.

[36] Automatic Princess applied to register its trade-mark in 2003. For reasons that are not apparent, it was not approved and advertised until 2009. McDowell filed her statement of opposition in 2010 and her supporting affidavit later that year. Automatic Princess filed its affidavit in 2013. The inadvertent failure to plead the registration of McDowell's trade-marks was discovered in 2014. On the record before us, it appears that matters have not proceeded any further since then.

[37] We are now in 2017 and Automatic Princess' application for registration is still pending, as far as I can tell on the record before us. A 14-year delay calls for out-of-the-ordinary measures. It may be that McDowell could succeed in her opposition without having to rely on her registrations and paragraph 12(1)(d) of the Act; but she may not. In that case, McDowell would have an incentive to continue to oppose Automatic Princess' use of its mark, perhaps by launching expungement proceedings. This would simply prolong the uncertainty over Automatic Princess' marks and their registrability. This is not in the interests of justice.

[38] Given the extraordinary delays in this case, it was incumbent on the Board to assist the parties in moving this matter forward. In my view, the Board's failure to do so is another factor that made its decision unreasonable.

[39] For these reasons, I am of the view that the Board's reasons for refusing McDowell's application for an amendment do not satisfy the criteria of transparency and intelligibility:

Dunsmuir v. New Brunswick, 2008 SCC 9 at paras. 47-48, [2008] 1 S.C.R. 190.

VI. CONCLUSION

[40] I would therefore set aside the Federal Court's judgment with costs here and below. I would return the matter to the Trade-marks Opposition Board with a direction that McDowell's application to amend her statement of opposition is to be allowed on such terms as are necessary to do justice between the parties.

"J.D. Denis Pelletier"

J.A.

"I agree
Wyman W. Webb J.A."

"I agree
D.G. Near J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-422-15

**APPEAL FROM AN ORDER OF THE HONOURABLE MADAME JUSTICE
MCVEIGH DATED AUGUST 18, 2015, NO. T-2094-14**

STYLE OF CAUSE: HEATHER RUTH MCDOWELL v.
AUTOMATIC PRINCESS
HOLDINGS, LLC

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: SEPTEMBER 13, 2016

REASONS FOR JUDGMENT BY: PELLETIER J.A.

CONCURRED IN BY: WEBB J.A.
NEAR J.A.

DATED: JUNE 14, 2017

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