



Canadian Intellectual Property Office

THE REGISTRAR OF TRADEMARKS

Citation: 2024 TMOB 150

Date of Decision: 2024-08-12

INTERLOCUTORY RULING

Opponent: Industria de Diseño Textil, S.A.

Applicant: Sara Ghassai

Application: 2,168,791 for ZARIN HOME

INTRODUCTION

[1] On June 19, 2024, Sara Ghassai (the Applicant) sought an interlocutory ruling to strike the grounds of opposition involving bad faith, use or intention to use, non-distinctiveness and lawful use from the statement of opposition as originally filed in respect of Application No. 2,168,791. The Applicant also sought an extension of time to file its counter statement. In response to a request for comments from the Registrar, the Opponent advised on June 21, 2024, that it did not wish to revise its pleadings and provided representations as to why it believed that the grounds were sufficiently pleaded.

THE SCOPE OF INTERLOCUTORY RULINGS

[2] The sufficiency of a statement of opposition is governed by section 38 of the *Trademarks Act*, RSC 1985 c T-13 (the Act). Section 38(2) of the Act

comprises an exhaustive list of the grounds upon which an opposition may be based, while section 38(3)(a) of the Act requires the grounds to be set out in sufficient detail so as to enable an applicant to reply [*Schneider Electric Industries SAS v Spectrum Brands, Inc*, 2021 FC 518 at para 26]. An insufficient ground of opposition would therefore be one that either alleges an improper ground or does not contain sufficient material facts to allow an applicant to reply.

[3] It is recognized as an elementary condition of fairness that each party be informed of the case which it must meet [*Carling Breweries Ltd v Molson Companies Ltd*, [1984] 2 FC 920, aff'd [1988] FCJ No 10]. The Registrar's power to strike all or part of a statement of opposition is set out in section 38(6) of the Act.

[4] Additionally, assuming the truth of the allegations of fact in the statement of opposition, grounds of opposition that have no reasonable prospect of success when viewed in the context of the applicable law may be struck [*Manufacturers Life Insurance Company v British American Tobacco (Brands) Limited*, 2017 FC 436 at paras 57-64].

PRELIMINARY MATTER- APPLICANT'S LEGAL CITATIONS

[5] I have disregarded reference to the following cases cited by the Applicant as these cases either do not exist or do not appear to stand for the principles cited therein: *Vivat Holdings Ltd v Menasha Canada Ltd*, 2001 FCA 278, *M & M Meats Shops Ltd v M & M Products Inc*, 2000 FCT 396; *Cheap Flights Fares Inc v KAYAK Software Corporation*; *Molson Breweries v John Labatt Ltd*, [2000] 3 SCR 890, and *H & M Hennes & Mauritz AB v M & S Meat Shops Inc*, 2012 TMOB 7. The Opponent did not comment on any of these cases in its submissions and does not appear to have suffered any additional time or cost in the preparation of its response as a result of their inclusion in the Applicant's submissions.

[6] Whether accidental or deliberate, reliance on false citations is a serious matter [see *Zhang v Chen*, 2024 BCSC 285]. In the event the submissions resulted in whole or in part from reliance on some form of generative artificial intelligence, the Applicant is reminded of the importance of verifying the final work product prior to its submission to the Registrar.

INTERLOCUTORY RULING REQUEST REJECTED IN PART AND ACCEPTED IN PART

Summary of Ruling

[7] Having considered both parties' submissions in reaching my ruling, for the reasons set out below, the statement of opposition is hereby amended as follows:

- Paragraphs 1.1, 1.3, 6.1, 6.2 and 6.5 (inclusive of 6.5.1, 6.5.2 and 6.5.3) are struck from the statement of opposition
- Paragraph 4.2 will be revised to replace word "including" with "namely"

[8] The Applicant's request to strike the remaining paragraphs is refused as I am satisfied that each of these grounds are valid and pleaded with sufficient detail to enable the Applicant to reply.

Paragraph 38(2)(a.1) of the Act – Bad Faith

[9] The Opponent alleges bad faith in paragraphs 1 to 1.7 of the statement of opposition, claiming:

- 1.1 the Applicant knew very well the trademark(s) and/or trade name(s) of the Opponent as herein alleged and that confusion would result from the use of the TRADEMARK and the trademark(s) and/or trade name(s) of the Opponent;
- 1.2 the Applicant filed the opposed application for trafficking purposes, not having used the TRADEMARK in Canada or not having a true intent to use the TRADEMARK in Canada with each of the goods/services covered by the opposed application;

- 1.3 the Applicant filed the opposed application for defensive purposes only, not having used the TRADEMARK in Canada or not having a true intent to use the TRADEMARK in Canada with each of the goods/services covered by the opposed application;
- 1.4 the Applicant filed the opposed application with the intent to usurp the legitimate rights of the Opponent as herein described and trade on the goodwill established by the Opponent in its trademark(s) and/or trade name(s) as herein alleged;
- 1.5 the Applicant filed the opposed application with the intent to disrupt the business of the Opponent and create confusion with the goods, services and/or business of the Opponent;
- 1.6 the Applicant filed the opposed application with the intent to disrupt the business of the Opponent and divert traffic to the website and/or business of the Applicant; and
- 1.7 the opposed application constitutes an attempt by the Applicant to trade off the reputation of the trademark(s) and/or trade name(s) of the Opponent.

[10] I note the Opponent's response regarding the sufficiency of this pleading is that it has not alleged mere awareness of the Opponent's trademarks or trade name, but rather has also provided material facts to support a claim of bad faith. In addition, the Opponent argues that the use of the verbs "intended," "trafficking," "usurp," and "disrupt" constitute material facts, claiming there is nothing speculative about the ground. The Opponent correctly notes that facts should not be conflated with evidence.

[11] While I have disregarded the Applicant's references to the apparently non-existent jurisprudence, I will nonetheless consider the sufficiency of the Opponent's pleadings as requested by the Applicant, relying instead on established legal principles.

[12] Section 38(2)(a.1) of the Act deals with applications filed in bad faith. While "bad faith" has not been defined under the statute, the concept as it relates to trademark law is not a new one. Section 30(i) of the Act as it read

prior to June 17, 2019 (the Old Act), involved an applicant's obligation to declare its entitlement to use. Jurisprudence evolved allowing bad faith to underpin pleadings under this ground. The bad faith jurisprudence arising under the Old Act may therefore help inform the meaning of bad faith under section 38(2)(a.1) of the Act. Indeed, the Federal Court has confirmed that what was considered bad faith under the Old Act may be relevant to the assessment of bad faith under the current Act [*Blossman Gas Inc v Alliance Autopropane Inc*, 2022 FC 1794 at para 119 and *Norsteel Building Systems Ltd*, 2021 FC 927 at paras 32–36 [*Norsteel*]].

[13] Bad faith may be considered as a breach of a legal, moral or even commercial obligation to a third party [see *Beijing Judian Restaurant Co. Ltd v Meng*, 2022 FC 743]. Additionally, issues such as an intention to harm or disrupt the business of another may be relevant to an assessment of bad faith [*Advanced Purification Engineering Corporation (APEC Water Systems) v iSpring Water Systems, LLC*, 2022 FC 388 at paras 54–56 [*Advanced Purification*]].

Paragraph 1.1 Applicant Knew of Opponent's Trademarks and Trade Names and Knew Confusion Would Result

[14] The Opponent alleges, at paragraph 1.1 as well as elsewhere in the statement of opposition, that the Applicant was aware of the Opponent's trademarks and trade names. However, mere awareness of the Opponent's rights will not suffice as support for this ground of opposition [*Sapodilla Co v Bristol-Myers Co* (1974), 15 CPR (2d) 152 (TMOB) and *Woot Inc v WootRestaurants Inc / Les Restaurants Woot Inc*, 2012 TMOB 197 at paras 10 and 11]. Additionally, the Federal Court has held that willful blindness or a failure to make even obvious enquiries into a competitor's rights did not, alone, amount to bad faith, [*Norsteel* and *Advanced Purification*].

[15] Absent additional material facts in support of, for example, an intention to harm the Opponent's business, this ground of opposition is not sufficiently pleaded so as to permit the Applicant to understand and reply to this aspect of the bad faith ground. It is unclear from the pleading how the Applicant fell short of meeting an obligation or duty it had to the Opponent or indeed the nature of the obligation or duty.

Paragraph 1.2 Intention to Traffic

[16] The Opponent refers to knowledge, on the part of the Applicant, of the Opponent's trademarks and tradename, for example paragraphs 6 and 6.1 of the statement of opposition. The Opponent also pleads that the Applicant filed the application for trafficking purposes. In view of the contents of the statement of opposition read in its entirety, the balance of probabilities are evenly balanced as to whether this component of the bad faith ground is sufficiently pleaded. As section 38(2)(a.1) is a relatively new provision, and without making any comment on the opponent's allegations, I am not satisfied that this ground should be struck at the pleadings stage.

Paragraph 1.3 Filing the Application for Defensive Purposes

[17] The Opponent has, in respect of this aspect of its bad faith ground, again failed to assert a duty, obligation or standard that the Applicant breached in filing an application for defensive purposes. The claim to having filed the application for "defensive" purposes in the pleading speaks to the Applicant's efforts to protect its own interests rather than a desire to harm or disrupt the Opponent. As for reference to the Applicant's intention to use the trademark in association with each of the goods or services, this is duplicative of the Opponent's Paragraph 38(2)(e) ground. This ground will therefore be struck.

Paragraph 1.4 to 1.7

[18] The Opponent has not provided much in the way of factual support for the allegations of bad faith owing to the Applicant's intention to usurp the rights of the Opponent, disrupt its business or trade off its reputation. I note however that issues such as an intention to harm or disrupt the business of another might be relevant to the assessment of bad faith [*Yiwu Thousand Shores E-Commerce Co. Ltd v Lin*, 2021 FC 1040 at paras 53 and 54]. On a plain reading of the statement of opposition in its totality, I find the balance of probabilities evenly balanced as to whether the grounds enumerated in paragraphs 1.4 to 1.7 are sufficiently pleaded. Given that section 38(2)(a.1) is a new provision, and without making any comment on the opponent's allegations, I am not satisfied that these grounds should be struck at the pleadings stage.

Conclusion 38(2)(a.1) Ground

[19] In view of the foregoing, paragraphs 1.1 and 1.3 are struck, while paragraphs 1, 1.2 1.4, 1.5, 1.6 and 1.7 are retained.

Paragraph 38(2)(e) of the Act- Use or Intention to Use the Trademark

[20] The Opponent pleads in paragraph 5 of the statement of opposition:

- 5.1 the Applicant (itself and/or its predecessors in title and/or their respective licensees) did not use the TRADEMARK in Canada in association with each of the goods or services specified in the application (the Applicant having no expertise nor interest in this field) or, if the Applicant had used the TRADEMARK, it was abandoned;
- 5.2 the Applicant (itself and/or its predecessors in title and/or their respective licensees) did not propose to use the TRADEMARK in Canada in association with each of the goods or services specified in the application, be it the way the TRADEMARK is presented in the opposed application or for the goods and/or services referred to in the opposed application, the Applicant never having, at the relevant time, the specific intention to use the TRADEMARK in association with each of the goods and/or services referred to in said application (the Applicant having no expertise nor interest in this field);

- 5.3 any utilization of the TRADEMARK by the Applicant did not or would not constitute “use” within the meaning of section 4 of the Act benefitting to the Applicant since not [sic] used for the purpose of distinguishing the goods and/or services of the Applicant from those of others, the Applicant being an agent for a third party.

[21] In challenging the sufficiency of these pleadings, the Applicant submits that the claims are contradicted by the Opponent’s own statements owing to its reference to associated entities in another of the grounds of opposition. The Applicant argues that the contradiction undermines the credibility of the Opponent’s assertions. It also asserts that the Opponent has not provided a sufficient factual basis in support of the ground.

[22] The Opponent’s response is that its pleadings go beyond mere restatement of the language of the Act. It also submits that the claim to an absence of use in paragraph 5.1 does not need to be supported by additional facts, relying upon *John Labatt Ltd c Molson Companies Ltd* (1983), 2 CPR (3d) 150 (TMOB) at para 18; *Engineers Canada c. Kokuyo Co Ltd*, 2023 TMOB 89 at para 33; *Pemac Asset Management Association of Canada c PMI Software Ltd*, 2023 TMOB 183 at para 28; *Gianni Versace SRL c Duguay* (November 21, 2023) TMOB (unreported) at para 5.

[23] The Opponent makes similar comments in respect of the pleading in paragraph 5.2 with the Opponent relying on the decisions *Cerverceria Modelo, SA de CV c Marcon*, 2008 CanLII 88189 at paras 40-41; *Beiersdorf AG c Mitsubishi Gas Chemical Co*, 2012 TMOB 210 at para 2 and *Home Box Office, Inc c MediaNaviCo LLC*, TMOB (November 25, 2014), TMOB (unreported) application No. 1,557,171 at para 5.

[24] Section 38(2)(e) of the Act states that an opposition may be based on the ground “that, at the filing date of the application in Canada, ... the applicant was not using and did not propose to use the trademark in Canada

in association with the goods or services specified in the application”
[emphasis added].

[25] I agree with the Opponent that an allegation that an applicant had not used or was not using the applied-for trademark may be sufficient to satisfy the first element of section 38(2)(e) of the Act.

[26] The statutory wording contemplates, in the alternative, the Applicant’s proposal to use its trademark. The element of proposed use in respect of the 38(2)(e) ground may be considered adequately pleaded if the opponent provides sufficient detail as to how or why the applicant could not or did not propose to use the subject trademark in Canada in association with the associated goods or services.

[27] In respect of the component of the ground pleading the Applicant did not propose to use the trademark, I find the Opponent has gone beyond mere reliance on the statutory language. The Opponent’s recitation of the material facts that the Applicant had no expertise or interest in the fields into which the goods and services fall, and that it was an agent for third parties, provides the requisite support for its claim that the Applicant did not propose to use the trademark. Additionally, reference to the Applicant being an agent of a third party supports the allegation that use by the Applicant did not or would not constitute “use” within the meaning of section 4 of the Act enuring to the Applicant.

[28] I must disagree with the Applicant that the pleading should be struck on the basis that it contradicts other grounds or undermines the Opponent’s assertions.

Conclusion 38(2)(e) Ground

[29] I find this ground sufficiently pleaded so as to allow the Applicant to understand and reply to the case against it and therefore refuse the Applicant's request to strike paragraphs 5, 5.1, 5.2 and 5.3.

Paragraph 38(2)(d) of the Act – Non-Distinctiveness

[30] The Opponent's non-distinctiveness ground set out in paragraph 4 of the statement of opposition comprises three components:

- 4.1 the TRADEMARK does not actually distinguish the goods and/or services in association with which the TRADEMARK is used or proposed to be used by the Applicant from the aforesaid goods and/or services of the Opponent, nor is it adapted to so distinguish them;
- 4.2 the TRADEMARK is used outside the scope of the licensed use provided for by section 50 of the Act, including by Zarin Design Studio, Zarin Home Enterprises Inc. and Zaton Fabrics; and
- 4.3 the TRADEMARK does not or is not adapted to distinguish the goods and/or services of the Applicant from those of others, being solely functional or merely decorative.

[31] I note, with respect to first portion of this ground, set out in paragraph 4.1, it is the Opponent's own goods and services identified as those from which the Applicant's trademark does not distinguish or is not adapted to distinguish. In addition, I note that the Opponent has claimed various trademarks in the context of the non-registrability and non-entitlement grounds. While this component of the non-distinctiveness ground is limited to the trademarks of the Opponent referenced in the statement of opposition, the ground is properly pleaded, providing sufficient detail to allow the Applicant's reply.

[32] With respect to the second component of this ground, set out in paragraph 4.2 alleging non-distinctiveness owing to the use of the Applicant's trademark that is inconsistent with section 50 of the Act, while

this pleading is essentially appropriate as set out, it is incumbent on the Opponent to provide certainty regarding the identity of the entities engaged in non-licensed use. The ground is, therefore, limited to use by Zarin Design Studio, Zarin Home Enterprises Inc. and Zaton Fabrics. The word “including” in paragraph 4.2 is struck and replaced with “namely”.

[33] Concerning the third allegation in paragraph 4.3 of the statement of opposition, namely that the Applicant’s trademark is solely functional or merely decorative, I note that the Applicant identified “zarin” as a Persian word for “gold-like”. While I have difficulty envisioning evidence that might ultimately support this ground and doubt its prospect of success when viewed in the context of the applicable law, I am not prepared to strike it at this time. The even balance of probabilities as to whether this ground has no reasonable prospect for success or is sufficiently pleaded leads me to conclude it is best considered at the decision stage in light of any evidence filed by the parties.

Conclusion 38(2)(d) Ground

[34] For the reasons set out above, I refuse the Applicant’s request to strike this ground. However, paragraph 4.2 will be revised to replace “including” with “namely” and otherwise these pleadings will be retained.

Paragraph 38(2)(f) of the Act- Lawful Use

[35] The Opponent pleads at paragraph 6:

6.1 the Applicant was aware – or deemed aware – of the trademark(s) and/or trade name(s) of the Opponent as alleged herein and filed the opposed application with knowledge that the TRADEMARK would create confusion with the trademark(s) and/or trade name(s) of the Opponent;

6.2 such use would be, was, and is unlawful in that such use of the TRADEMARK with the goods and/or services described in the opposed application would constitute an

infringement of the exclusive rights of the Opponent in the registered trademark(s) alleged herein by the Opponent, contrary to section 20 of the Act;

6.3 such use would be, was, and is unlawful in that such use would be, was, and is likely to have the effect of depreciating the value of the goodwill attaching to the registered trademark(s) alleged herein by the Opponent, contrary to section 22 of the Act [the Opponent adding, inasmuch as necessary, being the beneficiary of Canadian goodwill in the registered trademark(s), that the public would be misled with respect to the origin of the goods, services or business of the Applicant, and that the Opponent will suffer damages therefrom];

6.4 such use would be, was, and is unlawful in that such use would direct public attention to Applicant's goods, services or business in such a way as to cause confusion in Canada between these goods, services or business and those of the Opponent, contrary to paragraph 7(b) of the Act [the Opponent adding, inasmuch as necessary, being the beneficiary of Canadian goodwill in the trademark(s) and the related goods and/or services, that the use of the TRADEMARK would constitute a misrepresentation to the public with respect to the goods and/or services of the Applicant leading or likely to lead the public to believe that goods and/or services offered by the Applicant are the goods and/or services of the Opponent, and that the Opponent will likely suffer damages by reason of the erroneous belief engendered by Applicant's use of the TRADEMARK];

6.5 any such use by the Applicant would be, was, and is illegal since:

6.5.1 the Applicant knew very well the trademark(s) and/or trade name(s) of the Opponent as herein alleged and that confusion would result from the use of the TRADEMARK and the trademark(s) and/or trade name(s) of the Opponent;

6.5.2 the Applicant filed the application for trafficking purposes, not having used the TRADEMARK in Canada or not having a true intent to use the TRADEMARK in Canada;

6.5.3 the Applicant filed the application for defensive purposes only, not having used the TRADEMARK in Canada or not having a true intent to use the TRADEMARK in Canada.

[36] The Applicant submits that these pleadings lack detailed factual support, are speculative and are insufficiently pleaded. The Opponent responds that sufficient facts have been set out to support the claim involving section 7(b) of the Act. It relies on, *Micys Company SpA c. Pura Botanicals Inc* (September 3, 2019), TMOB (unreported), application No. 1,836,744 at paras 30 to 32; *911979 Alberta Ltd c. Industria de Diseño Textil, SA* (January 14, 2022) TMOB (unreported), application No. 1,850,223 at paras 16 and 17.

[37] In respect of section 22, the Opponent again argues sufficient material facts have been set out, relying on *Veuve Clicquot Ponsardin c. Boutiques Cliquot Ltée*, 2006 SC 2 at para 46 [*Vueve Cliquot*]; *Groupe Dynamite Inc c. Rodrigue* (July 14, 2016) TMOB (unreported), application No. 1,706,627 at paras 10 to 14.

[38] Section 38(2)(f) of the Act addresses an applicant's lawful entitlement to use the applied for trademark. The analogous provision under the Old Act was section 30(i). Jurisprudence pertaining to section 30(i) suggests that this is not a "catch all clause" and that pleadings alleging, for example, non-registrability under this ground are considered duplicative and properly struck or dismissed on that basis [see *Ali Baba's Middle Eastern Cuisine Ltd v Nilgun Dardere*, 2012 TMOB 223 at para 15 and *Fruit of the Loom, Inc v LRC Products Limited*, 2021 TMOB 39]. I see no reason to treat legal entitlement under section 38(2)(f) of the Act any differently.

[39] Paragraphs 6.1. 6.2 and 6.5 (1 to 3) are duplicative of other grounds covered in the statement of opposition as they rely essentially on the allegation that the parties trademarks or trade names are confusingly similar. These paragraphs will therefore be struck.

[40] I will consider the remaining allegations mindful that jurisprudence associated with section 30(i) of the Old Act may inform the interpretation of section 38(2)(f) of the Act .

Paragraph 6.3 of the Statement of Opposition- Depreciation of Goodwill

[41] Section 22(1) of the Act states:

No person shall use a trademark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.

[42] A ground of opposition based on section 30(i) of the Old Act in combination with section 22 of the Act has been considered valid in the past [see, for example, *McDonald's Corporation and McDonald's Restaurants of Canada Limited v Hi-Star Franchise Systems, Inc*, 2020 TMOB 111].

[43] In the context of this ground of opposition, section 22 requires the Opponent's use of a registered trademark sufficiently well known so as to have significant goodwill attached. It also requires a likely connection or linkage in the mind of the hypothetical consumer between the respective trademarks. Finally, it is necessary that the likely effect of use would be to depreciate the registered owner's goodwill.

[44] In its pleadings at paragraph 6.3 of the statement of opposition the Opponent appears to have mistaken the requisite elements of section 22(1) with those for 7(b), discussed below. I must, however, consider the statement of opposition in its entirety rather than focus narrowly on the pleading. As the Opponent has alleged prior use of its registered trademarks and the Opponent's allegations of a likelihood of confusion imply the possible existence of a connection or linkage in the consumer's mind and depreciation of goodwill, there are sufficient material facts which, if proven, establish the requisite elements for depreciation of goodwill as set out in *Veuve Clicquot*,

para 46 exist. I refuse the Applicant's request to strike this portion of the ground and the pleading at paragraph 6.3 will be retained.

Paragraph 6.4 of the Statement of Opposition – Section 7(b) Statutory Passing Off

[45] A ground of opposition based on section 30(i) of the Old Act in combination with section 7(b) of the Act has been held to be valid [*Dairy Processors Association of Canada v Producteurs Laitiers du Canada/Dairy Farmers of Canada*, 2014 FC 1054; *Bojangles' International LLC v Bojangles Café Ltd*, 2006 FC 657].

[46] Pleadings acceptable under this ground should comprise material facts, which, if proven, would establish the three elements described by the Federal Court in *Diageo Canada Inc v Heaven Hill Distilleries Inc*, 2017 FC 571, namely goodwill, misrepresentation creating confusion in the public and actual or potential damage to the party.

[47] I find the ground relying on sections 38(2)(f) and 7(b) of the Act, when read in the context of the statement of opposition as a whole, is sufficiently particularized. The Applicant has been provided with adequate material facts to enable its reply to this ground. The pleading set out under paragraph 6.4 will therefore be retained.

Conclusion 38(2)(f) Ground

[48] The pleadings at paragraphs 6.1. 6.2 and 6.5 (1 to 3) of the statement of opposition will be struck, while I refuse the Applicant's request to strike the pleadings at 6, 6.3 and 6.4.

DEADLINE TO FILE A COUNTER STATEMENT

[34] In accordance with its request of June 19, 2024, the Applicant is granted one month from the date of this ruling within which to file and serve its counter statement.

Coleen Morrison

Member
Trademarks Opposition Board
Canadian Intellectual Property Office

Agents of Record

For the Opponent: Robic IP Agency LP

For the Applicant: Nelligan O'Brien Payne LLP