



2019 Will Go Down in History as “The Year of Change” in Canadian Trademark Law Part II

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Part II – TMO Practice, Oppositions and Cancellations

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2019 was a year of unprecedented change in Canadian trademark law and practice, with major amendments to the *Trademarks Act* and *Regulations* that change many aspects of trademark practice, and the issuance of many decisions by the Trademark Opposition Board and Courts that will impact brand registration and enforcement. Part II of Bereskin & Parr’s 2019 trademark review summarizes some of the most important developments relating to trademark filing, prosecution, oppositions and non-use cancellation proceedings.

I. 2019: TRENDS IN TRADEMARKS FILING AND REGISTRATION

While the amendments to the *Trademarks Act* have been in effect for only a little more than 6 months, the impact of those amendments can be seen in the following trends and developments:

- *When will I hear from the Trademarks Office?* The Trademarks Branch of the Canadian Intellectual Property Office (CIPO) is backlogged – first examination now occurs about 16 months after filing. New examination staff have been hired, with more staff additions planned for 2020, but significant delays are expected to last throughout 2020.
- *How long will registration take?* It is not unusual for registration to take more than three years. The elimination of filing grounds and related formalities should shorten this timeline. CIPO is also considering changes to current practices on extensions of time and multiple rounds of objections and responses, with the result that it may be more difficult to extend examination deadlines, and applicants will no longer have as many “kicks at the can” to overcome registrability objections. More news on these changes is expected in early 2020.
- *What’s this new examination issue and why was it not raised earlier?* The amended *Trademarks Act* introduced a new ground of examination, namely that the mark is considered to be “not inherently distinctive”. This applies both to new applications filed since the Act was amended on June 17, 2019 and to applications that were pending but not yet advertised for opposition as of that date. Distinctiveness objections are being made with surprising frequency – CIPO has admitted to raising the issue “a lot”. CIPO has held info sessions on its approach to this new ground, but for now, it is too early to predict the likelihood of an objection, the chance of overcoming it, or the nature of evidence required to show that the mark has, through use, become distinctive in Canada.

TIP: For now, unless marks are clearly coined words or devoid of name or descriptive connotations, there is a high likelihood of objections based on “no inherent distinctiveness”. There can be significant time and cost implications to argue against the objection or, if necessary, prove distinctiveness. For brands at risk of distinctiveness objections, applicants should consider filing in combination with other words/designs. This is especially the case for recently adopted marks for which there would not be sufficient evidence to prove acquired distinctiveness.

- *Class Act – How CIPO calculates fees on filing and renewal:* Fees are now payable based on the number of



classes of goods and services at the time of filing and renewal (the renewal term is now 10, vs. 15, years). CIPO filing fees are \$330 CA for the first class and \$100 CA for each additional class, and renewal fees are \$400 CA for the first class and \$125 CA for each additional class. While applicants and registrants can initially pay only a single class fee, they will subsequently be required to pay the full amount based on CIPO's classification of the goods/services. Brand owners cannot lower those fees by later removing goods/services to reduce the number of classes in the application or registration.

- *Trademark Agents to the Rescue:* Under the amended *Trademarks Act*, “any person” can pay renewal fees. However, CIPO will send correspondence relating to classification only to the registrant or its recorded Canadian trademark agent. Most registrations now subject to renewal have not yet been formally classified to the satisfaction of CIPO, so for the next several years, it is likely that there will be many renewal-related classification issues.

TIP: Companies who appoint non-agent entities to handle portfolio management tasks such as renewals may find the renewal process complicated by these changes. While a renewal request may appear at first to have been processed, there can be subsequent steps relating to classification and additional fees, and failure to respond or comply within CIPO's deadlines can result in expungement. Brand owners may find it simpler to have a registered Canadian agent handle both renewal and classification.

- *Hola Madrid! Impact of the Madrid Protocol on trademark filings:* Joining the Madrid Protocol is already having an impact on Canadian filing procedures and numbers. While the total number of applications filed in Canada in 2019, compared to 2018, increased only modestly (about 3%), a significant number are as a result of territorial extensions under the Madrid System – where registrants and applicants from other countries may designate Canada as a country for trademark rights by filing an application for an international registration with the World Intellectual Property Organization. By the end of 2019, over 7,000 extension applications, as well as nearly 2500 “pending” (“not yet formalized”) applications designated Canada. However, use of the Madrid System by Canadians is modest so far – only about 225 applications for extended international rights were filed by Canadians in 2019. Since the Madrid System can be a cost-effective and efficient way to broaden international rights, it is hoped that more companies will take advantage of the opportunities that it provides. (See [here](#) for a discussion on factors influencing the use of the Madrid Protocol in Canada.) Also, in terms of “who” files in Canada, American and Canadian applicants file about 70% of all applications, but consistent with international trends, filings from Chinese applicants have significantly increased.

TIP: Applicants using the Madrid Protocol to acquire rights in Canada should be aware that CIPO will correspond only with the applicant, unless it has appointed an agent listed on CIPO's list of registered trademark agents. CIPO will not send correspondence to the applicant's home-country agent. In order to ensure that an applicant receives and fully understands CIPO correspondence regarding its application, a Canadian trademark agent should be appointed as soon as possible after Canada is designated. See [here](#) for more information.

- *Opposing just got more interesting:* The amended *Trademarks Act* adds new grounds of opposition, including that an applicant has neither used its mark, nor proposes to use its mark in Canada, and/or that an application was filed in bad faith (see [here](#) for more information on bad faith – specifically added to combat abusive filing practices). There have also been changes to opposition procedure, including “how” service is to be made and “when” it is effective, and to specifically permit evidence to be filed in electronic form. Parties in an opposition proceeding should be very careful to check the Regulations to ensure that they meet the new service requirements and calculate deadlines accurately. While recent legislative amendments will permit case management, confidentiality awards and damage awards in opposition proceedings, these amendments have not yet come into force.

- *Use it or lose it - Non-use cancellations (s. 45 of the Trademarks Act):* Canada's *Trademarks Act* contains a simplified proceeding for expunging registrations for marks that are found to be not in use. Specifically, any person may request the Registrar to send a notice to a registrant, requiring it to prove that its mark has been used in Canada with the registered goods/services within the three-year period prior to the date of the Registrar's notice. Many such proceedings are started for tactical reasons related to oppositions or other disputes or to obstacles



encountered in examination (e.g., to encourage settlement or obtain consent). The rules relating to “how” and “when” service of documents is made have changed in the same way as the opposition rules. Additionally, it is now possible to commence a Section 45 proceeding with respect to only certain goods or services in the registration.

II. KEY TRADEMARK OPPOSITION AND CANCELLATION DECISIONS

Most decisions in trademark disputes are highly fact-specific. However, several 2019 decisions of the Courts in appeals from the Trademarks Opposition Board (“TMOB”) are of broader interest and application:

- *You can lose your shirt and still show “use”*: In *Cosmetic Warriors Limited v Riches, McKenzie & Herbert LLP*, 2019 FCA 48, the Federal Court of Appeal, in deciding an appeal of a TMOB decision in a Section 45 proceeding, held that monetary profits are not necessarily required for “use” to be “in the ordinary course of trade”. In this case, the mark LUSH was registered for t-shirts, and evidence showed that the registrant’s employees purchased t-shirts at cost, both to wear in the registrant’s stores and to give as gifts. Despite the fact that the registrant did not make profits on those sales, the goods were described as actual items of trade – and met the use definition. The Court found that sales that were not themselves profitable but were nevertheless for a profit-making purpose will support use. See [here](#) for more details about this case.
- *Ya gotta be here*: Decisions of the TMOB and Courts have seesawed over the years on the issue of whether a claim of “use”, particularly for services such as transportation, entertainment and hotel services, can be based on online activities when the service is only available outside of Canada. In *Live! Holdings, LLC v Oyen Wiggs Green & Mutala LLP et al* 2019 FC 1042, the Federal Court upheld the Registrar’s decision to expunge a registration for the mark LIVE! for advertising/marketing services for others, entertainment services and hotel services. The registrant unsuccessfully argued that Canadians received a benefit by being able to make online bookings for entertainment and hotels in the United States. Despite evidence of online display of the registered mark, the delivery of thousands of pieces of promotional literature in Canada, and the fact that bookings for entertainment events or hotels in the U.S. could be made online from Canada, the judge found that that no tangible benefit occurred “in Canada”. For a full discussion of the decision, including additional issues of licensed use and exceptional circumstances excusing non-use, see [here](#).

TIP: Brand owners should be very careful about how “services” are described. Some cases have held that “ancillary” services may amount to use, but clearly including “booking” or “reservation” services in the statement of services may be a more secure way to preserve rights until actual use in Canada starts.

- *But I was here first!*: In *Sadhu Singh Hamdard Trust v Navsun Holdings Ltd.*, 2019 FCA 10, the Federal Court of Appeal upheld the Opposition Board’s refusal of the applicant’s AJIT mark on non-distinctiveness grounds, despite it being the first user in Canada. The applicant’s mark was associated with a daily publication originating in India with a modest number of Canadian subscribers (less than 29) since 1968. The opponent’s publication started in 1993, and had weekly distributions in Canada of more than 23,000. The issue was whether the opponent’s subsequent Canadian use negated the distinctiveness of the applicant’s mark. Rennie, JA, for the Court, affirmed that it did – specifically noting that there had been more than a decade of use by both parties, and that the opponent’s mark had in that time acquired its own “notoriety”. In fact, the Court held that subsequent use that might be characterized as infringing or passing off could still negate the distinctiveness of a previously used mark.

TIP: In a warning to be noted by all brand owners, the judge noted that “it is incumbent upon a trader to protect the distinctiveness of its mark, even in the face of infringing use”, and “[i]t was open to the appellant to take sufficient steps to protect its rights in the impugned mark, which it did not do.” The Court specifically rejected the suggestion made by the applicant that there is a legal principle that a party cannot rely on its own confusing use to challenge another’s mark.

NOTE: This decision is in only one of several proceedings between the parties. Related passing off and copyright infringement claims brought by Sadhu Singh have been heard in the Federal Court, and most recently, the Federal



Court of Appeal returned that case to the Federal Court (2019 FCA 295).

- *Do-Overs: Federal Court sends cases back to the Registrar, finding them “unintelligible”.* The Federal Court, in several recent opposition appeals discussed below, has refused to affirm or overturn the Registrar’s decisions. Characterizing the Registrar’s decisions as unintelligible, the Court has, instead, ordered the Registrar to review its decisions in light of new evidence filed on appeal.

- *But I thought that adding words or designs would eliminate confusion!:* The Federal Court criticized differing decisions by the TMOB in two disputes between Zara Natural Stones Inc. and Industria de Diseno Textil, S.A. (2019 FC 1082 and 2019 FC 1083). Zara Natural Stones applied for the marks ZARA and ZARA NATURAL STONES Design for paving stones, and Diseno opposed based on confusion with its family of ZARA marks, including ZARA HOME for goods including floor coverings. The Registrar allowed the opposition to the ZARA application, but refused the opposition to ZARA NATURAL STONES Design, finding that the mark was not confusing with the opponent’s marks. Both parties appealed and filed new evidence. Madame Justice St. Louis suggested that the different assessments of confusion in the two case suggested a “breakdown in rationality”. Rather than finding either decision wrong, or that the new evidence justified a different result, she described the decisions as unintelligible, and returned each to the Registrar for reconsideration in light of the new evidence filed on appeal.

Practically, it is not uncommon for trademark advisors to suggest that the risk of confusion can be lessened by combining a mark with additional word/design elements so as to reduce the overall degree of resemblance with the prior mark. In this light, the Court’s suggestion that the Registrar’s decisions were “unintelligible” seems harsh. However, these decisions serve as a warning that merely adding modest design elements and/or descriptive words to an otherwise confusing mark may not suffice to make confusion unlikely.

- *But it was already common!* A similar “re-do” was ordered in *Canada Bread Company, Limited v Dr. Smood APS*, 2019 FC 306, involving two opposition appeals. The applicant filed two applications: for the slogan SMART FOOD FOR A GOOD MOOD and for a design combining DR SMOOD, the slogan and the words THE HEALTH COMPANY. Canada Bread opposed based on its family of marks that include the word SMART. The Registrar rejected the oppositions, noting that the word SMART was very diluted on the Register (over a hundred SMART-formative marks were noted) and that the marks did not have a high degree of overall resemblance. On appeal, Canada Bread filed more evidence, and the applicant did not participate at all. Mr. Justice Roy found that the Registrar incorrectly emphasized the relevance of the state of the Register, particularly since the Registrar’s decision did not discuss any use of the SMART-formative marks on the Register, and because most of the other confusion factors favoured the opponent. Mr. Justice Roy commented that without evidence of use, “one is hard pressed to figure out if, and how much, dilution there can be”.

This decision appears to consider the relevance of Register evidence differently than the approach taken in the past by the TMOB. The TMOB has often decided that when many marks co-exist on the Register with a common/similar element, use of at least some can be inferred, making additional evidence of marketplace use unnecessary. On appeal, Canada Bread argued that, of the over 120 marks SMART-formative marks on the Register, only 7 were for similar goods – which seems to be a factor that the Federal Court wanted the Registrar to specifically consider. The judgment not only ordered that the matter to be reheard, but, given its unintelligibility, that it be sent to a “differently constituted Trade-marks Opposition Board”.

- *What matters is impact, not just proof of sales and advertising:* The Federal Court also sent the issues back to the Registrar in its decision in *1648074 Ontario Inc. v Akbar Brothers (PVT) LTD.*, 2019 FC 1305, where it criticized the Registrar’s assessment of non-distinctiveness. The opposition to the application for the mark DO GHAZAL Design was based on several grounds, but the TMOB specifically found the mark to be non-distinctive. The opponent relied on evidence of sales to a distributor/wholesaler in Canada but there was no evidence of the wholesaler’s sales or advertising. While such evidence might qualify to show “use” in Canada, Mr. Justice Roy (who also wrote the *Canada Bread* decision, above) stated that “a complete lack of evidence with regard to being known in Canada



cannot be the foundation to ... sufficiently negate the distinctiveness of the mark". As a result, the Registrar's finding was not reasonable, and lacked intelligibility. Rather than simply allow the appeal, since there were two other opposition grounds (both rejected before the Registrar), the matter was sent back to the Registrar.

TIP: The lesson for brand owners is that rote preparation of evidence of sales figures and advertising expenses in support of a claim that a third-party mark is non-distinctive may not suffice. The evidence should show how the sales, advertising and other promotions in association with the opponent's mark will negate or at least detract from the distinctiveness of the other mark.

- *They aren't just picky details:* In Section 45 non-use proceedings, there are several key dates – such as the date to reply with evidence of use, the date that the Registrar informs the registrant of its decision to expunge, and the date on which the registration is formally expunged. A retroactive extension of time to file evidence may be granted after the Registrar's initial deadline. In addition, if a registrant does not file evidence and a decision to expunge is made, a registrant can appeal that decision and (for now) file new evidence on appeal. In appropriate cases, the Court may permit an appeal even *after* the Registrar has expunged a registration. In *Sofie Gagatsek v Gowlings WLG (Canada) LLP 2019 FC 634*, a series of unfortunate steps, including delayed and missed communications, misunderstandings regarding the registrant's requests, proceeding by way of judicial review instead of by appeal (and, when doing so, failing to serve the Registrar) resulted in expungement, despite apparent ongoing use of the registered mark. While the Judge seemed prepared to overlook or rectify missed deadlines and some procedural irregularities, ultimately she found that the applicant, the daughter of the now-deceased registrant, did not have standing before the Court.

The Judge confirmed that the proper procedure to review a decision of the Registrar to expunge is an appeal (under s. 56 of the *Trademarks Act*), with notice to the Registrar, rather than an application for judicial review. However, she noted that the Court may convert an application for judicial review to an appeal (and in fact, went on to describe the proceeding before him as an appeal). While the applicant advised the Court that she had made the application on behalf of her mother, to whom the business had passed following the death of the registrant, the Judge held that the daughter did not have standing because she was not the registered owner, and no assignment in her favour had been filed. This is a tough lesson – following procedural rules is important. For individual registrants, formal steps to assign marks and update contact details should be made as soon as possible. While the Court is prepared to exercise discretion to correct inadvertent errors, it will only go as far as its judicial jurisdiction permits, and it cannot hear from entities without standing before the Court.

III. CANADA'S SUPREME COURT CLARIFIES “STANDARD OF REVIEW” ON APPEALS

All final Registrar decisions, on registrability and in opposition and non-use cancellation proceedings are appealable to the Federal Court, and currently, appellants have the right to file new evidence on appeal. The Federal Court's decisions inevitably include a [sometimes very long] discussion of the standard of review, including a consideration of whether the applicable standard is “correctness” or “reasonableness”. When new evidence is filed on appeal, decisions often appear to include an exercise in mental gymnastics to assess how such new evidence might have impacted the Registrar's decision. Just before Christmas 2019, the Supreme Court of Canada (“SCC”) issued a decision in an immigration case, *Minister of Citizenship and Immigration v Vavilov, 2019 SCC 65*, that directs courts hearing either appeals or applications for judicial review from statutory bodies to adopt a new approach, which has specific relevance for TMOB decisions. The Court suggested that a change in approach was required because frequently the assessment of standard of review overtook the consideration of the merits of the case. Specifically, if there is a statutory right of appeal, as is the case with most opposition and non-use cancellation decisions, a decision should be reviewed for correctness. Questions of mixed fact and law will be subject to review for “palpable and overriding error”. In an application for judicial review (for example, of an interlocutory decision of the TMOB), the standard will generally be “reasonableness”, and the SCC has set out guidelines to measure reasonableness.

It is not clear what the Court had in mind for a decision considered on appeal to be “unintelligible” – but it is hoped that if such a decision is held to be not correct or in error, the Court will substitute its own decision, and not put the parties to the



time and cost of another proceeding before the Registrar.

IV. DECISIONS TO WATCH FOR IN 2020

- The impact of SCC's overhaul of the standard of review in *Vavilov* will likely be seen in a number of trademark cases before the Federal Court in 2020, including *Arterra Wines Canada Inc. v. Diageo North America Inc.* (T-23-19) – the hearing in this case was held in December 3, 2019, but in early January 2020 Justice Fuhrer asked the parties to comment on any impact of the *Vavilov* decision.
- The issue of whether a claim to “use” can be based on online-only activities in the absence of a physical location in Canada is central to the dispute in *Hilton Worldwide Holding LLP v Miller Thomson (A-325-18)*, which is expected to be heard by the Federal Court of Appeal in the first few months of this year. The TMOB's decision to cancel for non-use the registration for the mark WALDORF-ASTORIA for hotel services, on the basis that there was no “bricks and mortar” hotel in Canada, was overturned by the Federal Court in 2018. The Court held that the TMOB erred by not considering the nature of the benefits, including both reservations and discounts, received by people in Canada in association with the delivery of “hotel services”.
- Section 22 of the *Trademarks Act*, which prohibits the use of a registered trademark in a manner likely to have the effect of depreciating the goodwill attached to that mark, is central to the dispute in *Energizer Brands, LLC v. The Gillette Company (A-357-18)*, set to be heard by the Federal Court of Appeal on January 21, 2020. This is an appeal and cross-appeal on the decision on a pleadings motion that held that Gillette's use of the term “bunny brand” on packages of DURACELL batteries could possibly violate Energizer's rights under s. 22 (in a registration for a design mark showing a representation of a battery-powered toy rabbit).

Stay tuned for the third and final installment of Bereskin & Parr's review of trademark developments in the “Year of Change”. This will cover enforcement issues – including a review of selected infringement and passing off cases from the Federal Court and provincial courts from 2019, enforcement against counterfeit goods at the border, and alternative dispute resolution options.

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