

# PREPARING FOR THE CHANGING TRADEMARK LANDSCAPE IN CANADA

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A major overhaul of Canada's trademark laws is expected in spring 2019, resulting from amendments passed in 2014 but not yet proclaimed in force. In addition, at the end of April, 2018 the government announced plans for a national Intellectual Property Strategy, which promises further amendments to Canada's trademark laws. The amendments and the IP Strategy are designed to harmonise Canada's trademark laws with those of trading partners in Europe and Asia; increase the participation of Canadian businesses in IP; and address the potential for abuse and bullying. However, with these changes come many uncertainties, not least of which is how brand owners, squatters and Canadian courts will adjust to a new system of trademark rights. Further, many long-standing wish-list items from brand owners and legal groups are not addressed. The prospect of new legislation to implement the IP Strategy suggests there may be an opportunity to finally consider these issues.

## TRADEMARKS ACT AMENDMENTS

In June, 2014, the Canadian government passed significant amendments to the Trademarks Act (the "Act"). The amendments remain on hold, pending finalisation of implementing regulations and necessary administrative updates, particularly to the IT capabilities in the Canadian Intellectual Property Office (CIPO). Originally, the CIPO had optimistically suggested that they expected to implement the changes within a year or so of passage of the main amending bill, but the latest estimates suggest that the coming-into-force date (CIF date) could be in the first half of 2019. Progress is being made: implementing regulations have been published, and the CIPO is testing its capabilities to deal with Madrid Protocol filings, finalising examiner guides and practice notices addressing new procedures and requirements, and has promised to amplify its online capabilities to include full file review.

The main highlights of the amendments are the elimination of use as a registration requirement; accession to the Madrid Protocol; and adoption of the Nice classification system, with new fees-per-class for filings and renewals. Dozens of other changes will occur, impacting



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filing requirements, examination criteria, opposition procedures and timing, renewal terms, non-use cancellation proceedings, etc. There are challenging transitional issues, some of which are addressed directly in the Act, Trademarks Regulations (the "Regulations") and proposed CIPO Practice Notices, while others will need time, experience and judicial interpretation to resolve.

While "use" as a filing requirement will be removed, the CIPO will continue to examine marks on both absolute and relative grounds. Examination in Canada is robust, and that is not expected to change. In addition, under the new regime, opponents will still be able to rely on prior unregistered rights, and common law use will continue to be a basis of passing off actions. Accordingly, while use will no longer be a registration requirement, it continues to be relevant in other aspects of Canadian trademark prosecution and enforcement.

## THE ADVANTAGE OF COST SAVINGS BEFORE IMPLEMENTATION

Brand owners can take two steps now to avoid added costs under the amended Act. Government fees will change from C\$450 for any number of goods/services (C\$250 at filing and C\$200 at registration) to C\$330 for the first class, plus C\$100 for each additional class (all at filing). Brand owners with multiple classes of goods/services who have put off filing in Canada could save hundreds of dollars by filing

before the CIF date. Similarly, government fees for renewal will increase from C\$300 for any number of goods/services, to C\$400 plus C\$125 per additional class – meaning a significant increase for owners of multi-class registrations. Early renewal is currently permissible, and owners should do so now to take advantage of these savings.

## ANNOUNCEMENT OF CANADA'S NEW IP STRATEGY

The federal government's April 2018 IP Strategy addresses several issues ranging from the relatively low participation of Canadians in the IP system to concerns about patent bullying. Several key points impact trademarks, and appear to specifically respond to issues raised by the 2014 amendments.

### "Use"

The elimination of use as a registration requirement, after more than 100 years' practice and volumes of case law on the relevance of use, poses both uncertainty, and clear potential for abuse – with the result that the government's Intellectual Property Strategy now includes a promise of potential measures to control abuse.

Currently, registration in Canada is only possible if an applicant has used its mark, either in Canada or abroad for foreign applicants who also own a home country registration. A registration offers many advantages, including a statutory right of exclusive use of the



mark for the registered goods/service throughout Canada, deemed infringement for use of a confusing mark, and simpler enforcement. While the owner of an unregistered mark may sue for passing off, proof of its reputation – generally acquired by use in Canada – is required. The Supreme Court of Canada has held that use is the basis of trademark rights in Canada, so enforcement of any trademark requires prior use.

To European trademark owners and practitioners, the impact of registration without use is not astonishing – in fact, that has been the status quo for decades in many jurisdictions. However, there are many practical, legal and cultural reasons to suggest that a change from “use” to “useless” registrations may be challenging. Canada’s trademark law has evolved with registration rights amplifying use-based common law rights. How will courts reconcile, on the one hand, the ability (after the CIF date) to obtain a registration and all accompanying statutory rights to exclusive use throughout the country without any use, with, on the other hand,

the Supreme Court’s finding that “use” is the basis of trademark rights?

The IP Strategy promises some relief by suggesting there will be a statutory precondition to show use if a registrant wishes to enforce a mark within the first three years of registration. This appears to signal an admission that registration without use could pose enforcement issues. Further details are unavailable at this time – for example, must use be “in Canada”? How will use be shown? How much use? Also, why require use in enforcement situations “within three years of registration” only? The Act now provides for summary non-use proceedings (s. 45), available after the third anniversary of any registration. This is used to clear deadwood from the Register, and usually ensures that registrants do not rely on old and unused marks in litigation, since a cancellation action would be an expected response. The IP Strategy proposal that proof of use need only be shown in the first three years of any registration suggests that regulators may have felt, after three years, the threat of summary non-

use proceedings should discourage registrants from relying on marks not already in use.

The announced IP Strategy does nothing to alleviate another issue posed by “useless” registrations, namely the impact on trademark clearance and risk analysis. Currently, businesses rely heavily on Register searching. The Canadian Register, while admittedly not perfect and certainly populated with marks that are no longer used, is nevertheless based on the premise of genuine marketplace activity. Furthermore, applicants are now required to identify filing grounds that in turn provide helpful information to assess risks, such as how long, or where, a mark has been used. Those details will not be collected after the CIF date. The long-term impact will be to make the Register a less effective clearance tool.

#### **Opportunities for mischief**

When the 2014 amendments introduced the concept of registration without use, many brand owners, academics, trade organisations, legal groups, trademark agents and lawyers warned of potential abuse from trademark squatters. At the time, the risk was downplayed by government spokespersons. However, the time lag between passing the amendments to the Trademarks Act and the implementation of those amendments has exposed Canada’s trademark Register to a particularly virulent form of squatting, namely 45-class trademark applications that will register following the CIF date, absent

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Office refusal or third-party opposition. A combination of three factors are at play: no class fees; the fact that elimination of use as a registration requirement will apply to all applications, including those filed before the CIF date; and the ability to keep applications pending and in good standing for six years, or more, from the filing date. As a result, an applicant can file an application now for any number of goods and services for a single filing fee of C\$250, knowing that the Act will be amended to delete the “use” requirement, and can comfortably expect to obtain a registration after the CIF date, without ever having to use its mark.

Opportunists have seized the chance to file hundreds of 45-class applications. The marks cover everything from generic words to names/surnames and well-known marks. While squatting and cluttering have been identified as issues in other countries, class fees would normally discourage applications with so many classes. The magnitude of the filings for all 45 classes of goods/services is audacious. The activity seems to be concentrated with a few entities, whose goals are unclear. And while the CIPO is aware and obviously concerned about this activity, there is little they can do, apart from aggressively examining these applications for confusion and technical goods/services objections. Arguably, the applications might be invalid since the applicant could not have “intended” to use the mark on all 45 classes of goods/services, but the Registrar does not raise such a challenge during examination, leaving third-party oppositions as the only

obvious means of limiting the apparent abuse of the system – essentially shifting the cost of maintaining the integrity of the Register to the public.

Thankfully, the IP Strategy acknowledges that something needed to be done to address this situation. While not providing any details, the government’s announcement stated that “to prevent cluttering and misuse of the registration system”, new invalidation and bad faith opposition grounds will be introduced. The bad faith statement is interesting – initial responses to the 2014 Trademarks Act amendments had recommended adding a bona fide or good faith requirement for filing – which was ignored. One way to look at this is “better late than never”, but waiting until opposition, or invalidation of a registration may not necessarily deter abusive filings.

There is no indication on the timing of any draft bills to implement these, or other, proposed changes to IP laws that respond to the Government’s IP strategy, so stay tuned.

#### WHILE THEY’RE AT IT...

Seeing as the Trademarks Act and Regulations may be amended, here’s a list of a few other items that could be addressed:

- Canada does not have specific “famous mark” protection. Arguably, both the common law and the Trademarks Act (current and amended) afford enough protection to well-known marks, but codifying this has been an issue raised in international trade negotiations for many years.

- The Trademarks Act gives special rights to public authorities, universities and colleges, and the Department of National Defence – who may request public notice of their marks without examination, opposition, or renewal, and without even identifying goods or services. Such marks become a permanent bar, without consent, to use and registration even in the absence of any practical concern about confusion, and there is no formal way to have the rights cancelled or limited. Many published marks are no longer used, and many owners charge significant fees for consent. Limiting these rights, in time and scope, has been a long-standing request.
- An oddity of Canada’s Register is the maintenance of an old provincial register, last used in 1947 when Newfoundland joined Canada’s confederation. The CIPO will cite Newfoundland registrations against new applications for confusing marks and invite applicants to exclude Newfoundland from registration protection. The Newfoundland act did not have any provisions for cancellation or renewal, creating perpetual rights. Since many owners no longer exist, steps should be taken to clarify that these marks will no longer be obstacles to new applications.
- Provide statutory damages for trademark infringement. While other IP legislation, such as the Copyright Act, include a mechanism to assess damages under statutory guidelines, which avoids time and cost of proving damages, there are no such provisions in the Trademarks Act.
- Provide special protection for aboriginal and other traditional symbols.
- Modernise the Act’s approach to “use” to recognise electronic communication and confirm that trademark display in comparative advertising is not actionable.

All of the above would round out IP protection, and provide more certainty, cost-effectiveness and reliability to the Canadian trademark system.

In closing, expect major changes to the Canadian trademark system. As with all change, there are clear benefits, some detriments, and uncertainty about the future. The changes should permit easier and faster registration, make it simpler for Canadians to obtain global IP rights, and encourage others to more seriously consider rights in Canada. Overall, the benefits should outweigh the risks and uncertainty, but only time will tell.

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