

Trademark Litigation in Canada

With Canada-US trade so important, and a transcontinental border crossed by hundreds of thousands daily, American businesses often encounter trademark issues in Canada. The problem may be with an existing competitor, or a Canadian company hoping to take advantage of a trademark not yet protected in Canada. Trademark litigation in Canada and the US is similar, but there are notable differences -- in lingo, practice, timing and costs -- which play into litigation decisions. Here is a summary of some important differences:

Language and Causes of Action — In Canada, the word “infringement” is typically reserved for violation of registered trademarks. “Passing off” covers activity likely to cause confusion that violates unregistered marks, including trade dress. There is a statutory concept of “depreciation of goodwill” covering use of a registered mark in ways that encompass both dilution and tarnishment. Cases involving personal names, likenesses or other identifying indicia may lead to a claim based on “rights in personality.”

Choice of court — A proceeding can be commenced in a provincial court or in the Federal Court. The Federal Court has jurisdiction over federal statutes, including the *Trade-marks Act*, but cannot hear actions for passing off where the plaintiff is not relying on rights in a trademark *per se*, or other subject matter such as breach of contract or common law torts. Unlike the US, there is a single Federal Court that sits across Canada with a rotating roster of judges. The Federal Court is generally the preferred court for intellectual property disputes as its judges have experience in IP, and it can issue judgements with cross-Canada application. Trials are heard by a judge – jury trials are not possible. Only the Federal Court can expunge a trademark registration, a factor that may come into the tactical choice of court.

Injunctions before trial — Canadian courts rarely grant interlocutory injunctions in IP cases, largely due to the obligation to show “irreparable harm” with evidence that is “clear and not speculative.” Parties must prepare for the long haul of an action leading towards a trial, or consider options such as proceeding by “application” or seeking expedited approaches such as summary trial.

Action or Application — It is typical to commence an “action” -- a lawsuit that involves a discovery stage and concludes with a trial with live witnesses in court. Actions generally take at least two years (usually more) to come to trial, and trials usually last 1-6 weeks. An “application” is simpler and more expeditious. Evidence is in written form and there is no discovery — just cross-examination on affidavits. The hearing is based only on the written record and

often takes just one or two days. A hearing in an application is likely to take place within about one year. The cost of the whole proceeding is likely to be less than the cost of the discovery stage of an action. The same remedies are available as in an action. Whether proceeding by application is appropriate depends on the circumstances (e.g. whether discovery is needed).

Discovery is different — Canadian actions include documentary discovery and oral examinations for discovery (usually both). A party to an action must serve an affidavit listing all relevant documents (i.e. the rules require disclosure; the other party need not ask). Rather than examining multiple individuals (in the manner of typical U.S. deposition practice), a single representative witness for each party is examined under oath (similar to a Rule 30(b) (6) deposition under the U.S. *Federal Rules of Civil Procedure*). Such examinations often take more than one day for each witness. Disputes over the propriety of questions are common, and “refusals motions” are the norm. Often the representative must re-attend for a second round of questioning.

Expert witnesses — Since 2011, a number of decisions have been issued in which judges have looked carefully at the propriety of expert evidence in trademark cases, on likelihood of confusion, as well as linguistic issues. While survey evidence is likely to remain common in Canadian trademark cases, parties must assume that the court will be involved well prior to trial, and will exercise a gate-keeper role – a party seeking to adduce expert evidence must be ready to show that such evidence is truly necessary.

Costs — Canada has a “loser pays” system. A successful party can expect to be awarded a portion of its legal costs. All reasonable disbursements can be recovered, including expert fees. Typically an award totals about 25-33% of actual expenses. As a result, a defendant can usually require a plaintiff that is not resident in Canada to pay money into court as “security for costs” before defending the action. The court holds the money in an interest-bearing account until it is ordered to be paid out (often on consent as a result of a settlement).

Despite a common language and historical similarities in our systems, these and other important differences require care and attention before starting a trademark action or any other IP litigation in Canada.

Bereskin & Parr is a leading Canadian intellectual property law firm, with a global reputation as one of the largest and most experienced in patent and trademark law. The firm and its award-winning professionals are consistently ranked as the benchmark for IP law in Canada.

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