

Use issues in Canada

Understanding what trademark use means in Canada and how such use is best controlled by a notified licence agreement will help in retaining trademark rights in Canada

For decades, Canadian trademark law has focused on the importance of ensuring that trademark use by licensees does not adversely affect trademark validity. Understanding what constitutes trademark use in Canada and the requirements of effective licensing is key in preserving the distinctive character of trademarks.

'Use' definition

A fundamental principle is that a mark must distinguish the source of the goods or services to which it applies. A mark may be found to be non-distinctive, and therefore invalid, if it is used in a manner that leaves the public in doubt as to its owner.

Section 4 of the Trademarks Act indicates that a trademark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services. As for goods, a trademark is deemed to have been used in association with goods if:

- at the time of the transfer of the property or possession of the goods, in the normal course of trade, the mark features on the goods themselves or on the packages in which the products are distributed; or
- the mark is in any manner associated with the goods to the extent that notice of the association is then given to the person to which the property or possession is transferred.

Also, a trademark that features in Canada on products or on their packages is, when the products are exported from Canada, deemed to be used in Canada in association with those products. Oral references to a trademark do not qualify as use of a trademark for either goods or services (*Ade v Cavern City Tours Ltd*, 2012 TMOB 700). Use of trademarks on the Internet in cross-

border commerce has had a significant impact on the concept of trademark use in Canada in the ordinary course of trade. Canadian courts have increasingly moved away from traditional notions of territoriality and trademark rights.

Recent case law suggests that the Trademarks Act makes no distinction between primary, incidental or ancillary services (*TSA Stores Inc v Canada (Registrar of Trade-marks)* (2011), 91 CPR (4th) 324 (FC) at para 17). Further, it indicates that various ancillary activities can support a finding of trademark use in Canada with primary services (*Doctor's Associates Inc v American Multi-Cinema Inc* (2012), 101 CPR (4th) 253 (TMOB) – in which the operation of a concession stand was considered to be an ancillary service to the applicant's movie theatre services).

Similarly, "railway passenger services" were understood to include "train reservation and ticketing services", even without the actual operation of a train in Canada (*Venice Simplon-Orient-Express Inc v Société Nationale des Chemins de Fer Français SNCF* ((2000), 9 CPR (4th) 443 (FCTD, aff'd (1995), 64 CPR (3d) 87). Use of a trademark in association with "reservation services" in Canada was held to support use of the mark with "automobile rental and leasing services" in Canada, even though the actual automobile rentals were not provided in Canada (*Advantage Car & Truck Rentals v Advantage Rent-A-Car Inc* (2003), 27 CPR (4th) 342 (TMOB)). In the hotel industry, however, use of a mark in association with various ancillary services such as reservation services will not necessarily support trademark use with actual hotel accommodation services.

In a 2006 Opposition Board decision, the concept of "hotel services" was interpreted broadly and the board found that there

was trademark use in connection with hotel services based on the provision of reservation services, even without the presence of a hotel facility in Canada (*Borden Ladner Gervais LLP v WestCoast Hotels Inc* (2006), 53 CPR (4th) 361). However, in a recent Opposition Board decision (*Bellagio Limousines v Mirage Resorts Incorporated*, 2012 TMOB 220), the hearing officer distinguished the facts of the prior *WestCoast* decision and held that use of a mark merely with hotel reservation services does not constitute trademark use in connection with hotel accommodation services. Canadian courts have held that if a company responds to Canadian inquiries via its website, or displays the mark in its catalogues from which Canadian customers can order products or are shipped products from the United States, such activity could constitute trademark use in connection with retail services in Canada, even without a brick-and-mortar retail store in Canada, provided that there is at least some level of interactivity with potential customers in Canada.

However, a recent case has clarified that in considering whether use of a trademark exists in the absence of a physical retail store, common sense must prevail. In *Lapointe Rosenstein LLP v The West Seal Inc* (2012 TMOB 114 (TMHO)), the ARDEN B mark was registered for goods and services, but was displayed only on a website claimed to be "available for access by persons located in Canada". However, the registrant did not ship to Canada; rather, Canadian customers could retain a US shipping company to deliver the goods. For services, the rights holder needs to show that it is able to perform its services in Canada and the Opposition Board noted that most decisions involving website use require the trademark owner to be able to deliver goods to Canada. Elements such as invoices

confirming delivery to Canada, Canadian contact information, Canadian shipping policy or information, and prices displayed in Canadian dollars are all relevant. Other website-use criteria include evidence of response to Canadian mail or telephone orders, delivery of catalogues in Canada, toll-free numbers for Canadians, advertisement in magazines circulated in Canada and arrangement for delivery to Canada.

For a number of reasons discussed below, use of trademark notices is recommended, especially if the mark in question is used in Canada by licensees of the trademark owner. However, Canada has no specific legislation regarding the use of trademark notices such as ‘®’ or ‘TM’.

Licensing requirements

Current Canadian law states that use of a trademark by the licensee is deemed to be use by the mark’s owner if the owner controls the character and quality of the goods or services associated with the mark. In order to ensure that any licensed use inures to the benefit of the trademark owner and does not imperil the distinctive character and validity of the mark, the use must be under the direct or indirect control of the trademark owner.

Canada’s registered user system was abolished in 1993. While the Trademarks Office will record any document, including a licence agreement, against a trademark registration, the Trademarks Act makes no statement about the effect of doing so. A written licence is not required, but is recommended.

However, the agreement alone is insufficient, unless the owner exercises control. According to the Trademarks Act, the owner must control the character and quality of the goods and/or services associated with the trademark. It is not necessary to record a licence in Canada. The owner should take steps actively to control the licensee’s use of the mark and the associated character and quality of the relevant products and services. The owner should also ensure that such steps are documented and can be referred to in evidence, should there ever be any challenge that licensing activities have invalidated the mark – which is a common claim in non-use challenges, oppositions and litigation.

Corporate structure alone is insufficient to establish the existence of a licence (*Masimo Corp v Medtronic Inc*, 2010 TMOB 65). There must also be evidence that the applicant controls the use of the mark by the related company and takes steps



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to ensure the character and quality of the services provided (*London Drugs Ltd v Purepharm Inc* (2006), 54 CPR (4th) 87 (TMOB), and *Axa Assurances Inc v Charles Schwab & Co* (2005), 49 CPR (4th) 47 (TMOB)).

Related to control is the use of a notice identifying the owner of a mark and highlighting the fact that the use is under licence. The Trademarks Act provides that where public notice is given of the identity of the trademark owner, and the fact that the use is licensed, then the use is deemed to be under the control of the trademark owner (Section 50(2)). To be able to take advantage of this deeming provision, some form of trademark notice is required.

A notice may not be required in cases where there is no question about the owner’s control. However, there can be confusion about the owner of the marks or the relationship between the owner and the licensee where trademarks are used by licensees or distributors whose names appear on packaging, unless a trademark notice is used. There is no specific format for trademark notices.

In *Spirits International BV v BCF SEN CRL* (2012 FCA 131) – an appeal of the registrar’s decision to expunge a registration for the MOSKOVSKAYA RUSSIAN VODKA design mark based on non-use – the registrant did not clearly show that the use made of the mark was its use (or use by an authorised licensee). In addition, invoices filed by the registrant showed other names.

On appeal to the Federal Court, new evidence was filed to explain the relationship between the parties. On further appeal, the Federal Court of Appeal ultimately found that information on control was “more than bare assertions that the control required by [the Trademarks Act] ...exists”, and that the “hearing officer could have reasonably held that the requisite use of the subject mark was shown during the relevant period”. The proceedings in this case would likely have been avoided if there was a clear licence arrangement and use of trademark notices in place.

Trademark licences play an important role in the commercial value of a trademark asset. However, the licence arrangement must be carefully reviewed to meet the control requirements of Canadian trademark law to avoid any loss of rights and preserve the distinctiveness of the trademark. [WTR](#)