COUNTERFEITS, PRIVILEGE, REGISTRATION PROCEDURES, TOBACCO AND FRENCH SIGNS – THE IMPACT OF CHANGING CANADIAN LAWS

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Canada is in the midst of a whirlwind of legislative activity centred around trademark and brand protection. Brand owners should ensure that they are not only taking advantage of new options to protect their marks in Canada, but that they do not miss opportunities or requirements expected in the next couple of years.

WHAT HAS ALREADY CHANGED?

Canada has new counterfeit detention provisions, and increased remedies for trademark infringement and counterfeiting. These followed treaty commitments to improve brand owners' rights against counterfeiting, and to create a border enforcement system. Owners of registered marks and copyright may file a "request for assistance" (RFA) formally asking the Canada Border Services Agency (CBSA) to take steps to detain suspected counterfeit merchandise. Should the CBSA discover suspected counterfeits of goods subject to an RFA, they are to notify the brand owner, providing hopefully enough information to confirm if the goods are counterfeit. Only a short term of detention is permitted, after which the goods will be released back into ordinary channels of trade unless the brand owner commences litigation against the importer/source of the goods. If it does, the goods remain in detention, but detention costs will be borne by the brand owner. Currently, there is no government fee for RFAs, although the legislation was written to permit fees to be set by regulation.

Surprisingly, and despite there being no government fee, RFA filings are modest, and the number of seizures is similarly small. The government has questioned why, and while there is no clear answer, several factors are relevant. Brand owners and their advisers were originally concerned about potential detention costs and liability, particularly given high fees for approved "bonded" storage facilities. However, less expensive alternatives exist, and that should not deter brand owners, given the importance of keeping goods out of trade channels while litigation ensues. Also, there was some fear that litigation could drag on, with both mounting legal and storage costs. Practically, most counterfeiters will not defend actions, and summary proceedings are available to resolve cases quickly.

More difficult to understand is the apparent small number of seizures by the CBSA. While enforcement figures are not available, anecdotal reports from brand owner groups and lawyers involved in counterfeit enforcement activities suggest that uncertainty about the procedures, and lack of training and resources may play a factor. Unlike other countries, brand owners have not yet been invited to assist in training Canadian customs officials, although the CBSA has asked some brand owners to provide written and other materials to assist in distinguishing between genuine and counterfeit merchandise. Reports of small seizures (less than 20 items) when possible large quantities are being imported continue to disturb brand owners. Similarly, there are reports that detentions are being made of only goods covered by RFAs, when other suspected counterfeits are not detained.

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The message for brand owners is "record any brands and copyrighted works that have the potential for counterfeiting". The current "no-fee" regime may not last. Recordal is fast (generally within a day), and will remain in place for two years, with a right to renew the request prior to the expiry of that term. Multiple registered marks/copyright can be included in any request.

As mentioned, trademark remedies are broader, to reflect the necessity to specifically include retailers, distributors, packagers and advertisers in liability for infringement, and especially counterfeits.

Privilege

On 24 June 2016, under Bill C-59, confidential communications to and from registered patent and trademark agents in Canada became subject to privilege. The IP profession in Canada has lobbied for years for agent privilege to be confirmed by federal legislation, putting Canadian agent communications under the same guidelines as in many other jurisdictions. Without statutory privilege, it has not been clear that confidential information, opinions and communications to and from non-lawyer patent and trademark agents would be subject to the same privilege covered by solicitor/client rules, and importantly, whether communications by Canadian agents would be covered by privilege in proceedings in other jurisdictions where privilege depends upon the local law.

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WHAT IS COMING?

Regulation of the IP profession

In a related move, the government has launched a consultation on a Code of Conduct for patent and trademark agents, as well as on regulation of the profession. Comments on the Code were due in June 2016, and on regulation in July.

Implementing the Amendments to the Trademarks Act

The Trademarks Act has been amended to change registration procedures, provide for classification of goods and services, and confirm the implementation of the Madrid Protocol, but implementation of those changes is not expected until spring 2018. As the "coming into force" (CIF) date gets closer, more information is known about both transitional rules and regulations for the new laws:

- Classification of existing applications and registrations. While the classification system is not yet in force, in September 2015 the Canadian Intellectual Property Office (CIPO) amended the online register to add classes to all pending applications and existing registrations, while at the same time noting that such classification had no legal effect. Brand owners are invited to review those classes, and ensure that they comply with their expectations for the coverage of their goods and services. In addition, the CIPO is now suggesting that new applications include class numbers, along with accepted specifications of goods and services, although the CIPO is not formally examining classifications. Closer to the CIF date, specific measures will be required to confirm classes for pending applications. Owners of registrations will also be asked, likely following the CIF date, to confirm classes, failing which the CIPO has noted that it "may" expunge the registrations.
- Fees per class. Canadian government fees for filing, registration and renewal are fairly low by international standards – C$250 filing fee for all goods and services, C$200 for registration and C$300 for renewal. The amended *Act* permits fees per class, and eliminates registration fees for all new applications filed after the CIF date. The government has proposed a filing fee of C$330 for a single class plus C$100 for each additional class and renewal fees of C$400 for a single class plus C$125 per additional classes. While this may mean that many applicants with multiple classes may pay more, it can also mean lower total fees for some applicants. At this time, it does not seem likely that pending applications will have increased class fees.
- Filing "grounds" will be eliminated. Canada now requires applicants to select from up to four possible filing grounds, including actual use in Canada, proposed use in Canada followed by the filing of a declaration of use, and use plus registration abroad. The cumulative effect of those grounds is that only marks in use somewhere can be registered. The amended Act eliminates filing grounds, stating that applicants with use, or who intend to use their marks, may apply. Getting rid of filing grounds is probably a relief to many, but the impact of dropping use, which has up to now been the key requirement of registration and critical to enforcement rights, is likely to have far-reaching impact for many years, as case law is developed to cope with the different rights of registrants and common law users, and will probably add to search costs.
- What about applications that are pending now? The number of pending applications that have been allowed, but need a declaration of use in Canada to register has swelled dramatically. In early 2014, that number was about 40,000. It is now 56,000, and will likely exceed 75,000 by the CIF date. Many of those applicants have filed for goods or services that are not in use at all (and might not ever be). Very deliberate decisions are being made to keep these applications pending, waiting for the elimination of the use requirements. At the CIF date, those applications, likely subject to classification requirements,

can be registered for all goods and services once a registration fee is paid. This volume of pending applications is presumably adding to the workload of examiners, and is already adding uncertainty to clearance opinions.
- Renewal terms will be uncertain for some registrations. Renewal terms will shorten from 15 years to 10 years. An interesting complication is caused by the long-standing practice of renewal prior to the actual renewal deadline. Proper brand management often results in renewals in the year prior to the actual renewal deadline. At this time, the CIF date is not known; however, the CIPO has suggested that should the renewal deadline be after the CIF date, but the renewal is made prior to the CIF date (when the 15-year term is still in place), the actual term will be 10 years. Currently, renewal certificates show the renewal deadline – namely 15 years from the current term. However, for those done "too early" (a phrase used by the CIPO), the term will shorten to 10 years. This clearly results in a lot of uncertainty, and the prospect of missed deadlines, a risk CIPO has suggested might be resolved by the issuing of "replacement" renewal certificates. Stay tuned.
- New "letter of protest" procedure. Currently, the CIPO returns any communications from third parties to the Trademarks Office received before the opposition term begins. The Regulation Consultation suggested that the CIPO might consider permitting letters of protest during examination. Further discussions now suggest that this procedure might permit objections before and after examination. Details still need to be confirmed.

BRANDING RESTRICTIONS FOR TOBACCO PRODUCTS

The government has just commenced a consultation on plain packaging for tobacco products. Interestingly, the government has suggested that guidelines even more stringent than those in Australia, which have prompted a challenge to the World Trade Organization, may be put in place. Most provinces in Canada already impose restrictions on the display of tobacco products in retail and by federal guidelines, tobacco products cannot be advertised, plus about 75% of package surfaces already contain health and safety warnings. Some of the suggested restrictions include limiting the length of the brand name, outlawing the use of colours and designs on packages, liners and cigarettes, and requiring standardised sizes for various tobacco products. Brand owners are likely to weigh in with their own concerns about increased risks of counterfeits (which also bring health and safety concerns), loss of IP value and trade concerns, such as those related to the Agreement on Trade-Related Aspects of Intellectual Property Rights. Such arguments have been made by the tobacco industry, and brand owners generally in many countries, with little impact. With a majority government, some changes to tobacco labelling will likely occur.

Companies doing business in Canada would be advised to consult their advisors to ensure that they are keeping up with all developments

MANDATORY USE OF FRENCH ON SIGNS IN QUEBEC

The province of Quebec mandates the use of French under the Charter of the French Language on signs, packages and in adverts, but exceptions for "recognised marks" permit the use of English-only trademarks. Several years ago, the administrative office in charge of enforcement took the position that marks on signs were not "trademarks" but instead trade names, for which there is no exception to mandatory, and dominant, French usage. While that position was successfully challenged in court, the Quebec government responded with a plan to require French on signage by specific regulation. Draft regulations propose that exterior building signage and posters must have easily visible French wording, such as generic terms or descriptions of the products or services, a slogan or another term of providing consumer information about the business. By way of example, a women's clothing retail store may need to add "*magasin pour dames*". The regulations would apply to new signs, but existing signs would not need to comply for three years. The consultation period expired in June, and the amendments may take effect later this year.

OTHER CHANGES FROM TRADE NEGOTIATIONS

Both the Comprehensive Economic Trade Agreement between Canada and Europe, and the Trans-Pacific Partnership (between Canada and Pacific coast countries) will likely require amendments to Canada's Trademarks Act, including to add protected geographic indications, and give specific protection to famous and well-known marks. Timing on the passage of both treaties is uncertain (made even more uncertain by major political issues affecting Canada's trade partners), so it is not clear if or when these changes might take place.

As can be seen, there are many changes that have occurred, and are underway that impact brand protection and use in Canada. Companies doing business in Canada would be advised to consult their advisors to ensure that they are keeping up with all developments, and do not lose any rights.