



# A use-less argument

*Cynthia Rowden outlines changes to trade mark legislation that have provoked widespread protest from Canada's IP practitioners*

**C**anada's slow and steady approach to changing its IP laws took a turn in 2013 and 2014, with unprecedented – and very surprising – changes to the Trade-marks Act, as well as other IP statutes. Many changes were precipitated by international trade negotiations (following hot on the heels of Government announcements to pursue a Canada-Europe trade agreement and a consequential commitment of best efforts to have Canada join the Madrid Protocol, the Singapore Treaty and the Nice

Agreement), but the most surprising amendment relates to the elimination of use as a trade mark registration requirement, and the implied impact this will have on trade mark clearance, filing requirements and enforcement.

Changing directions from a system based totally on use to one in which use is not required will have long-term implications for trade mark owners and businesses operating in Canada. It is not clear that the Government fully considered these changes, since there was no advance consultation with trade mark practitioners or interested



groups, and no changes to the legislation despite widespread and consistent concerns.

The following outlines the most important changes.

### Combating Counterfeit Products Act

In answer to international complaints about the lack of effective border controls to prevent the importation or exportation of counterfeits, in 2013, the Government introduced Bill C-56, replaced by Bill C-8, the Combating Counterfeit Products Act (“CCPA”), proposing amendments to the Trade-marks Act and Copyright Act to clarify that infringement would apply not only to making and selling, but importing and exporting infringing goods. In addition, criminal sanctions were added to the Trade-marks Act. Acts of knowingly making, selling, importing and exporting infringing goods will now attract criminal sanction.

In addition, a new procedure, described as a “request for assistance”, has been created, whereby copyright and registered trade mark owners may record their

IP rights with the Minister of Public Safety and Emergency Preparedness and, specifically, with the Canada Border Services Agency, permitting Customs officials to temporarily seize suspected counterfeit merchandise and provide the IP owner with enough information to determine if the goods are counterfeit. The IP owner may then elect to commence an action, in which case the goods will remain in detention, or take no action. Detention costs, which have yet to be determined, will be borne by the IP owner if an action is started.

These were the main objections to the new measures:

- Costs of detention, if set too high, would effectively discourage brand owners from using the request for assistance procedure, especially if “bonded” warehouse detention was required. To date, there is no indication, at all, of detention costs.
- The CCPA excluded “goods in transit” through Canada to another country from the request for assistance procedure. That exclusion has been passed into law.
- There are no “quick” or summary proceedings as an alternative to an action.

- Statutory damages for trade mark infringement should have been added, to ease the plaintiffs’ costs of proving damages.

No changes were made in response to those concerns.

Parts of the CCPA came into force by 1 January 2015. The amendments related to requests for assistance provide that a fee may be required, but the Government has apparently elected to proceed without a fee (which would probably have necessitated regulations and delayed implementation of the amendments). A request form has been created but, as of the date of writing, the Canada Border Services Agency has had little experience with these new proceedings.

### Use-less trade marks

As previously explained, the most important and controversial amendment is to eliminate the requirement to use a mark in advance of registration, a change the Government claimed, inaccurately, was required for compliance with international treaties. Canada’s trade mark laws, for more than a century, have required use for both registration and enforcement.



Currently, a Canadian trade mark application must identify filing grounds, namely actual use in Canada with a named date of first use, proposed use in Canada (to be followed by a declaration of use before registration), or use somewhere, with a home country registration. The amendments permit applications with no filing grounds: only the applicant's name and address, the mark, and the goods/services must be included in the application. However, the amendments create a prerequisite to filing, namely that the applicant be entitled to use, and have used, or propose to use, the mark in Canada. Actual use before registration is not required. In addition, there is no change to the rights of registration – a registrant, even one with a registration obtained without use, would be entitled to the exclusive right to use the mark across Canada for the registered goods/services, to sue for infringement, and presumably, unless case law establishes otherwise, obtain both damages and an injunction. At the same time, despite eliminating specific filing grounds, the

Trademarks Office declared its intent to continue to examine for both inherent registrability and relative rights, and will permit oppositions based on lack of use/intent to use. Accordingly, the new system is an interesting hybrid of the Canada and United States trade mark systems that generally require “use” for registration and enforcement, and the European system, with neither filing grounds or pre-conditions, nor relative examination.

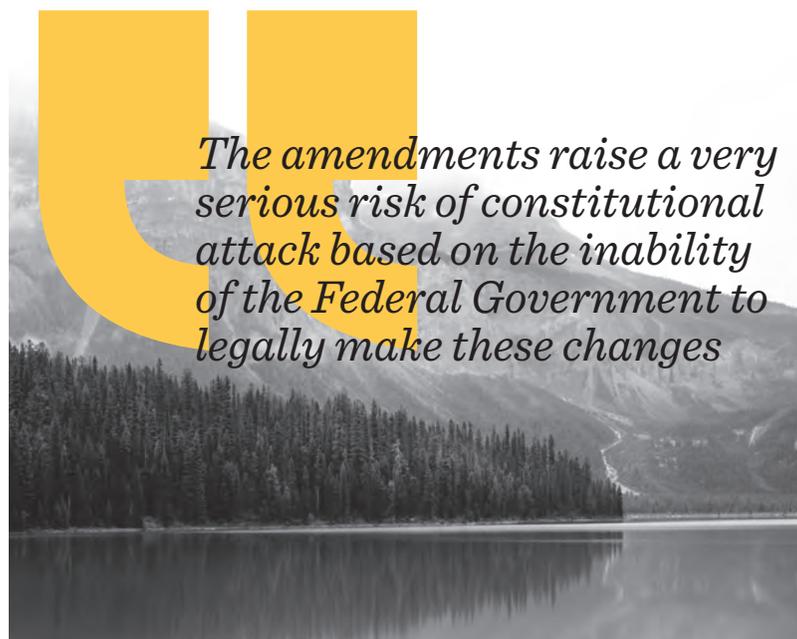
Other amendments relating to implementation of the Madrid Protocol, and other treaties, including changing the renewal term to 10 years and classification requirements, are also included in the amendments.

### Immediate reaction

Reaction was immediate and consistent. Groups including the International Trademark Association, the Canadian and American Bar Associations, and the Intellectual Property Institute of Canada, as well as major Canadian and international companies, academic research groups and trade groups including the Canadian Chamber of Commerce, and hundreds of Canadian IP lawyers and agents raised concerns about the impending clash between common law and registered rights, with concomitant uncertainty of the reaction of the courts, increased

search costs and risks, over-reaching registrations that reflect hopes and dreams v actual trade mark rights, possible piracy, and the impediments to opposition analysis caused by the lack of useful information about use.

In addition, the amendments raise a very serious risk of constitutional attack based on the inability of the Federal Government to legally make these changes. Canada's constitutional system splits law-making powers between the Federal Government and the provinces. While many areas of legislative power are specifically set out in the Constitution Act, power to make laws about trade marks was omitted. Case law has held that the Federal Government can enact laws regarding trade marks to regulate interprovincial trade and commerce, or international trade. The provinces, on the other hand, retain the power to enact laws regarding property and civil rights. Earlier decisions have found specific provisions in the Trade-marks Act dealing with acts “contrary to honest commercial usage in Canada” to be *ultra vires* the Federal Government. Scholars and trade mark experts questioned the right of the Federal Government to enact laws that create exclusive rights in trade marks in the absence of any trade or commerce. The Government merely responded that it had considered this issue. ➔



As Professor David Vaver wrote in *Intellectual Property Law: Copyrights, Patents, Trade-Marks, 2d* (Irwin Law, Toronto, 2011, at pages 471 to 472), reflecting the importance of use as a prerequisite to trade mark rights in Canada: "Without 'use' a trade-mark is nothing. It cannot be registered; if registered, it can be expunged. Anyone holding an unused mark probably cannot or does not want to invest in it, may just want to play dog in the manger and block competitors from using it, or may want to get into the business of selling marks, not goods or services. None of this is worth encouraging and the system treats him as an undesirable."

Canadian courts, including the Supreme Court of Canada, have echoed such views for decades. Despite briefs, submissions and letters from interested groups, no changes were made to the Bill. Government spokespersons dismissed concerns as being from self-interested lawyers, and asked why anyone would file an application if they didn't intend to use the mark.

As an observation, Canada sits halfway between China, where pirating of trade marks has reached epidemic proportions, and Europe,

benefits of registration remain with the registrant.

The amendments to the Trademarks Act from Bill C-31 were given Royal Assent in June 2014, but have not yet been proclaimed in force. Major updating to IT systems in the Trademarks Office is required, as well as a full regulatory package.

In that regard, the Trademarks Office released a discussion document regarding regulations at the beginning of October, with a two-month period (now closed) for receipt of comments. The regulations propose a new "letter of protest" procedure permitting third parties to contact the Office to object to applications during prosecution, set new filing requirements of non-traditional marks, fully implement the Madrid Protocol by regulation, set new rules for opposition deadlines, filing of opposition documents and permit the Opposition Board to manage opposition proceedings by limiting issues, evidence and deadlines. A second consultation on classification fees, likely to impact filing and renewal costs, is expected in 2015.

A certain fall-out from the system is higher search costs, since

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where that problem does not seem to be so bad. It certainly remains to be seen whether trade mark piracy will become an issue in Canada.

However, there has been growing discontent with other aspects of the European model, most specifically, the widespread registration of marks not in use, and for goods and services well beyond the interests of the owners, features that are bound to be copied under the new trade mark laws. Canadian law, unlike those in other countries, permits any party to challenge a registration for non-use after its third anniversary, providing some relief for over-reaching and registration of marks not in use, but the costs are borne by such third parties, while the

information will no longer be included in applications or registrations permitting parties to easily determine if, or for how long, marks have been used, plus higher uncertainty and risk relating to the adoption and use of both trade marks and business/corporation names. Since the constitutional concerns were widely discussed among IP lawyers, there is no doubt this issue will arise in early decisions relating

TM's IN CANADA:  
**WHAT TO DO NOW?**  
THE BEST ADVICE FOR COMPANIES SEEKING TO SECURE RIGHTS IN CANADA IS:

**Do so now, before classification fees are implemented.**

Register marks at risk of counterfeiting, to take advantage of the new "request for assistance" programme that covers only registered trademarks and copyright.

**Consider protection of marks used in Canada now, before rights are pre-empted by an applicant with no use at all.**

Ensure watch services extend to Canada to avoid third-party claims by applicants with no intent to use their marks in Canada.

to registrations secured under this new regime. Ultimately, all agree that these changes will bring more work to trade mark lawyers in Canada.

Commentators have noted the significant IT demands of the Madrid Protocol, as well as the need for quick and accurate examination. Canada's current IT capabilities for trade marks are well behind those of other countries, and examination has been chronically slow for years. Much will need to change to keep up with the demands of the Madrid Protocol. The current best estimate of implementation of the latest round of changes is late 2015 or early 2016.

The next few years will pose interesting challenges for owners of Canadian trade marks, or businesses active in Canada. With new examination criteria, and new rights that no longer depend on use, there is uncertainty about how the Trademarks Office examining branch, the Opposition Board and the courts will respond to the new laws.



### Cynthia Rowden

is a Partner and Head of Trademarks Group at Bereskin & Parr, Toronto, Canada. [crowden@bereskinparr.com](mailto:crowden@bereskinparr.com)  
Cynthia specialises in all areas of trade mark and copyright law. She is a member of INTA's Trademark Office Practices Committee.