



Cynthia Rowden



Dan Bereskin

# Will changes to Canada's trademark laws simplify or complicate selection and protection of new brands?

Cynthia Rowden and Dan Bereskin, Bereskin & Parr LLP, comment on upcoming changes to Canada's Trademarks Act, (bringing it in line with systems in Europe), giving their opinions on whether or not it will be helpful to businesses.

**A** recent re-branding project for a major international company encountered substantial obstacles, delays and costs attributable to third party registrations granted in Europe without use, and in some cases covering goods and services that appear never to have been sold anywhere. Canada's Trademarks Act has been amended (and the changes will likely be implemented

in 2018) to bring it into line with aspects of many European trademark systems by permitting registration without use, and focussing on fast, easy and relatively inexpensive registrations, as opposed to having a register that reflects actual business activity. However, in the writers' view, the proposed changes miss the essential point. Instead, a system that focuses on actual marketplace "use" is more equitable to all businesses, large and small alike, and likely would encourage rather than impede business growth and fair market competition.

## Résumés

### Cynthia Rowden

Cynthia is a Partner with Bereskin & Parr LLP and Head of the Trademarks Practice Group, specializing in all areas of trademark and copyright law. Much of her practice relates to managing the international trademark portfolios of large Canadian companies and the Canadian portfolios of some of the biggest trademark owners in the world. She advises on selecting and protecting new marks, opposition and cancellation proceedings, strategy for enforcement and Internet-related IP issues. Cynthia has chaired and served on numerous committees involved in trademark law, Internet and domain name law and international trademark protection. Cynthia was awarded 2015 Canadian Outstanding IP Practitioner by Managing Intellectual Property and named 2014 Trademarks Lawyer of the Year by Who's Who Legal, and is frequently ranked as a leading trademark practitioner in Canada and globally.

### Dan Bereskin

Dan is a founding Partner of Bereskin & Parr LLP and a member of the Trademarks Practice Group. He is a leader in IP law in Canada and around the world. With expertise in providing strategic counsel in all aspects of IP law, Dan is ranked in numerous recognized publications, including being inducted in to IAM's IP Hall of Fame 2014, awarded Trademarks Lawyer of the Year worldwide for eight consecutive years by Who's Who Legal, and chosen as a Luminary in WTR 1000 2016. Dan has also received the INTA President's Award and the IP World's World Leaders International IP Award for Lifetime Achievement. He is the author of more than 50 papers and articles on intellectual property and is an active member of the International Trademark Association.

## Complicating clearance decision

Some of the issues that companies encounter when using Register searches to make global clearance decisions include the following:

- It is human nature to apply for registration for as broad a list of goods/services as possible. Canada has not yet set fees for new applications, but has considered a Community trademark, (CTM)-style system that offers multiple classes for a single filing fee. In Europe, many commentators have commented on "cluttering" of the CTM Register, and upcoming changes to CTM regulations are apparently designed to reduce over-claiming. However, they are unlikely, to stop many companies from applying for coverage far beyond their current business activities or realistic projected expansions. While some brand owners might argue that broad protection is justified for defensive purposes, at what cost is this to business in general? A famous trademark for a popular beverage covers, *inter alia*, "preparations for eradicating vermin". Many European automotive brands are protected in every class. In a recent experience, investigations showed that the most pertinent registrations noted in search results not only covered many goods/services not in use, but also goods/services that never were used in association with the registered trademarks. This particular example confirms to us that allegations of cluttering, or over-claiming are



not mere speculation. Changes in Canadian trademark law to eliminate “use” as a requirement for registration will no doubt lead to similar results.

- Registration, and not use, determines trademark rights in most countries (with US and Canada, at least for now, being notable exceptions). In general, “use” is not required to obtain a registration, and non-use is immaterial for up to five years after registration. Any business trying to clear new brands under this legal regime must accept the risk of being threatened or even sued for infringement by prior registrants in circumstances where there is no likelihood of consumer confusion whatsoever, either because the registered marks are not used anywhere, or because registrants quit the market after obtaining registration. A use-based system not only limits the number of marks, goods and services on the register, making it a better reflection of the marketplace, but also makes risk-management simpler by permitting companies to more easily develop strategies for avoiding actual, and not theoretical, marketplace confusion. Amendments in Canadian trademark legislation have not clarified if “registration” alone will justify a claim for an injunction, creating the potential for similar concerns about lawsuits based on “use-less” registrations.
- Most systems, including that in Canada, permit cancellation for non-use. In Canada, cancellation cannot be sought for three years after registration, and any use within the last three years will maintain a registration for the goods/service in use. The CTM, and most national European systems, generally do not permit cancellation for non-use until five years post-registration. While some might argue that cancellation will eventually clear the register of unused marks, in practice, that step is not helpful for businesses trying to make fast decisions on new brands, and the onus would be on them, and not the owner, to actually invest the time and fees in a cancellation action. Further, knowing that a mark is not used does not eliminate risks if the deadline for non-use cancellation has not yet passed if registrants can sue for infringement despite non-use.
- Government fees are often not high enough to dissuade companies from renewing registrations for goods/services not in use, or re-filing to thwart any non-use challenge. While Canada’s filing fees under the new system are not yet known, they are unlikely to deter “rolling” registrations that perpetuate rights, despite use, particularly for important brands.
- Local practices impact risk management. Seeking consent from

other registrants seems to be a common way of addressing risks in Europe, unlike in North America where the adage “it is better to seek forgiveness than permission” often applies. In-house counsel often find it difficult to reconcile these differences, and when the Trademarks Act amendments become effective in Canada, there is likely to be much uncertainty about the wisdom of asking for consent, especially without first having done investigations to determine the nature and extent of use (if any), and considering the implications of a “no”. It is unreasonable to ask businesses to assume that risk, plus even worse, possibly restrict use/goods or services to accommodate a registrant who has no use.

- Broad filings impact the rate of opposition. Currently, in Canada, opposition rates are quite modest (only about three per cent of all applications are opposed). The rate of opposition in Europe is much higher than in North America, which can be at least partially attributed to filings with long lists of goods/services that are not clearly planned to be used. Canada’s government has already indicated that it expects opposition rates to increase, with concomitant increased expenses to brand owners.
- Risk-reduction practices may differ if registrations don’t depend on use. For example, in North America, use without registration could be a strategy for risk-reduction, but some European advisors warn that strategy could backfire if there is a subsequent registrant. For those familiar with use-based systems, the suggestion that prior use could be trumped by a later registration (especially if issued without any use), unless registered in bad faith, seems preposterous.

## Conclusion

The goal of any trademark registration system should be to fairly regulate commerce and prevent consumer confusion. Some commentators justify registration-based systems by noting that they encourage all businesses to register their marks, making register searches an effective way to identify prior “rights” and clear new marks. Acquiring a registration for a broad list of goods/services is easier and cheaper if use is not a requirement. However, businesses must ask themselves if this serves them well in the long run. By permitting registers to be filled with marks not used at all, or for only some goods and services, companies may gain an unfair competitive advantage with trademark rights far beyond their reasonable business interests, and it becomes much more difficult for companies to select and clear new marks without significant time spent on investigations and risk management strategies. Admittedly, all businesses must accept some level of risk when choosing and using new marks. That said, in the authors’ view, a trademark registration system should encourage business development instead of impeding it by creating unnecessary costs of time and money for clearing trademarks when the Register is cluttered with trademarks that do not represent legitimate business interests.

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