

Run that by us again? Court refuses to permit appeal and orders costs against victim of Trade-marks Office mistake

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Occasionally, results of litigation seems so surprising that you wonder if there has to be more to the case than what the decision discloses. The Federal Court in *299614 Alberta Ltd. v. Fresh Hemp Foods Ltd., 2013 FC 1245* is a case in point. After Fresh Hemp applied to register the mark HEMP HEARTS Design, the Alberta numbered company opposed, and filed its evidence. The next step in the opposition should have been for Fresh Hemp to file its evidence, however, due to a mix-up in the Trade-marks Office, the application was mistakenly allowed. The applicant, in record time, paid its registration fee, and the trademark issued to registration a mere five days after allowance.

The opponent, no doubt wondering what had happened, appealed the decision of the Registrar to allow the application. However, Justice Zinn of the Federal Court, relying upon a decision with equally unusual facts, found that once a registration has been issued, it can only be challenged by expungement. An expungement proceeding requires a Federal Court application, on specific grounds, with accompanying evidence and written submissions. It did not matter that in this case, the decision to allow the mark was admitted by the Registrar to have been in error. The Judge specifically noted that under the Canadian *Trade-marks Act* there is no cost-effective and expeditious way to correct the Registrar's errors.

Adding insult to injury, the Alberta company was ordered to pay Fresh Hemp's costs. This seems particularly harsh considering both that the situation originally arose from an error by the Registrar, and that the law regarding how to remedy the situation, e.g., by appeal as opposed to an application to expunge, is not terribly clear since there are few (thankfully) precedents. However, as noted above, there could be more to this than is apparent from the decision.

It should be noted that in a trademark opposition, the onus to justify a registration is on the applicant, should the opponent file suitable evidence supporting the grounds of opposition. That onus remains in any appeal of an opposition decision. Also, there are no cost awards ordered by the Registrar in opposition proceedings. On the other hand, in an expungement application, the onus is switched – an applicant for expungement has the onus of proving the facts to justify the expungement. Plus, parties in Federal Court expungement proceedings are exposed to costs.

As an interesting aside, correcting the Registrar's errors has turned out to be a difficult procedure for other applicants. Occasionally, during examination, the Trade-marks Office will drop wares or services from an application by mistake. If the error is not caught before registration, the current view of the Trade-marks Office is that such errors cannot be fixed by the Office. Instead, a Federal Court application must be brought to amend the registration. Despite submissions from both applicants and organizations representing IP practitioners and owners that *the Act* could be read in a way to allow the Registrar to correct such errors, the Trade-marks Office has maintained its position. Needless to say, the prospect of bringing an application to the Federal Court has implications in costs, timing, and convenience that are unreasonable to applicants who find themselves in this situation as a result of errors by the Trade-marks Office.

Some relief from errors is found in Bill C-8, the *Combating Counterfeit Products Act*, currently before Parliament. It proposes to amend the *Trade-marks Act* to permit Registrar errors to be corrected on application by the registrant, but only within six months of registration. Recommendations to extend the time limit were not accepted.

The lesson for trademark owners or practitioners from this decision (unless overturned on appeal) is that any issue regarding a registered mark versus application, including issues arising from Registrar errors, can only be remedied by application to the Federal Court under section 57 of the *Act*. As it stands, that means that parties before the Trade-marks Office may end up paying for the mistakes of the Office. Possibly, keeping a careful watch on an opposition file might help, but more importantly, vigilance by the Trade-marks Office is required.