

## Sweeping Changes to Canadian *Trade-marks Act*: At What Cost to Trademark Owners?

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On March 28, 2014, the Canadian government proposed in Bill C-31, the *Economic Action Plan 2014, No. 1*, the most important changes to the *Trade-marks Act* since 1953. Bill C-31 is an omnibus bill comprising 375 pages that if enacted would also amend more than 60 other unrelated laws.

The last time that Canada's trademark law was substantially amended, the Canadian government created a panel of experts called the Trade Mark Law Revision Committee, who received submissions from the public and deliberated changes to the legislation during a period of five years. Their comprehensive report became the foundation of the current *Trade-marks Act*, which has stood the test of time. In contrast, the current government engaged in only limited public consultation before Bill C-31 was made public, despite proposing changes far more reaching in scope than those of the Trade Mark Law Revision Committee.

If the legislation is enacted in its present form, thousands of Canadian businesses are likely to be affected adversely, especially those of small and medium size. For example, in proposing that registrations may be granted in the absence of use anywhere, the government may well have invited a challenge to the validity of the resulting statute on constitutional grounds. It is one thing to have a national system of trademark registration based on use somewhere, and quite another to permit enforcement of trademark rights anywhere in Canada irrespective of whether the trademark has previously been used in Canada or abroad, but that is precisely what the proposed amendments provide.

Although the amendments purportedly are intended to anticipate Canada's accession to the Madrid Protocol, the Nice Agreement, and the Singapore Treaty, key elements of the trademark section of Bill C-31 have little or nothing to do with these treaties, but rather appear to be directed to internal government efficiencies. Improving government efficiency is a worthy objective, but here any alleged improvement in efficiency will be more than offset by additional expense and uncertainty to Canadian businesses and users of Canada's trade mark system.

This is not the only set of proposed trade mark amendments. Last year, the Canadian government introduced Bill C-8, the *Combating Counterfeit Products Act*, which dealt with the creation of a "request for assistance" to deal with counterfeits, and also proposed updating certain aspects of the *Trade-marks Act*. Bill C-31 repeats many of the non-counterfeit-related changes proposed in Bill C-8, but adds a number of important changes to trademark laws and practice.

Here are some of the changes set out in Bill C-31:

- Any applicant, domestic or foreign, can register a trademark in Canada without any need to use the trademark in Canada or abroad prior to registration. Applicants will no longer have to select filing grounds at the time of filing, such as use in Canada, proposed use in Canada, or use and registration abroad. Instead, an applicant may file an application if it is using, or proposes to use, and is entitled to use a mark in Canada for specific goods and services. No date of first use will be required.
  - The test for entitlement will, however, still be based on comparing the filing date or use date (which, as noted above, does not need to be stated) with previously used trademarks or trade names, or previously filed applications.
  - Entitlement can only be impacted by applications that are pending at the advertisement date of the other application, or previous use or making known of a trade mark or trade name that was still in use at that date of advertisement.
- A filing date will be granted upon receipt of "an indication" that registration is sought, together with information to identify the applicant, applicant contact information, a representation or description of the mark, and a list of goods/services, plus the required fee. Nice Classification, any standards for a certification mark, prescribed mark descriptions and other information can be filed later. It does not appear that an applicant must specifically state that it has used or intends to use the mark, or is satisfied it is entitled to use the mark.

Nice Classification is imported into the Act, and applicants will have to describe goods and services both in ordinary commercial terms as they do now, and also grouped by the Nice Classification, with the class identified. Existing registrants may be required to provide the Nice Classification for their goods/services, with a threat of expungement for failure to respond. Implementation of the Nice Classification is certain to add costs – Canada’s government filing fee is now \$250, and there are bound to be both added fees per class, and much time spent on classification, given that both Canadian businesses and the Trade-marks Office are rather unfamiliar with the system.

Applications can be opposed on the basis *inter alia* of prior use in Canada, but a potential opponent will not be able to determine from the Register whether it is a prior user. It will need to engage in potentially expensive investigations to determine relative use dates. It may also need to initiate opposition proceedings without this information. In Europe, there are far more trademark oppositions as a percentage of applications filed than there are in Canada or the United States, and this may prove to be the case in Canada if the proposed amendments are passed, adding significant costs for Canadian businesses, and concomitant additional cost to government in processing and deciding oppositions.

Two new grounds of opposition are added: that the applicant did not have use or an intent to use when it filed, and that the applicant was not entitled to use the mark when it filed. Since an existing ground is “that the applicant is not the person entitled to registration”, it is not clear what the second new ground will cover.

- Proof of use following registration is not required unless a registration is challenged for non-use.
- Registrations can be issued covering a large shopping list of goods/services based merely on a stated intention to use the mark in Canada. This is likely to clutter the Register and make searching and clearance even more difficult and expensive than now it is.
- Registrations remain subject to attack for non-use in Canada after three years from the date of registration, however, such proceedings can be costly and lengthy, and add uncertainty into searching and clearance.
- Renewals will now be every 10 years, as opposed to 15 years, and proof of use is not required upon renewal.

Implementation of the Madrid Protocol does not require any change in national trade mark laws. The Canadian government’s proposal to eliminate current filing grounds and permit registration without use anywhere is certain to create issues and problems – at a minimum, it brings the uncertainty of change. Searches before selection and use of new marks will require marketplace investigations to determine when, or if, use of a registered mark commenced. Similarly, the lack of useful information about use on the Register will force potentially expensive investigations before advising on chances of success in oppositions or litigations. Costs of both clearance and risk analysis are bound to increase. In addition, choosing a new trademark will become more difficult with more “intended” use marks on the Register. While such registrations might become vulnerable to challenge for non-use over time, the onus of removing such marks will be on potential applicants and users, and not the registrant.

Businesses need to be aware of these upcoming changes, and to consider their impact in terms of convenience, cost, and usefulness.