

Canadian Businesses: On your Mark! What You Need to Know Now About the Amendments to the *Trademarks Act*

Jul 31, 2014

Authors: Cynthia Rowden and Scott MacKendrick

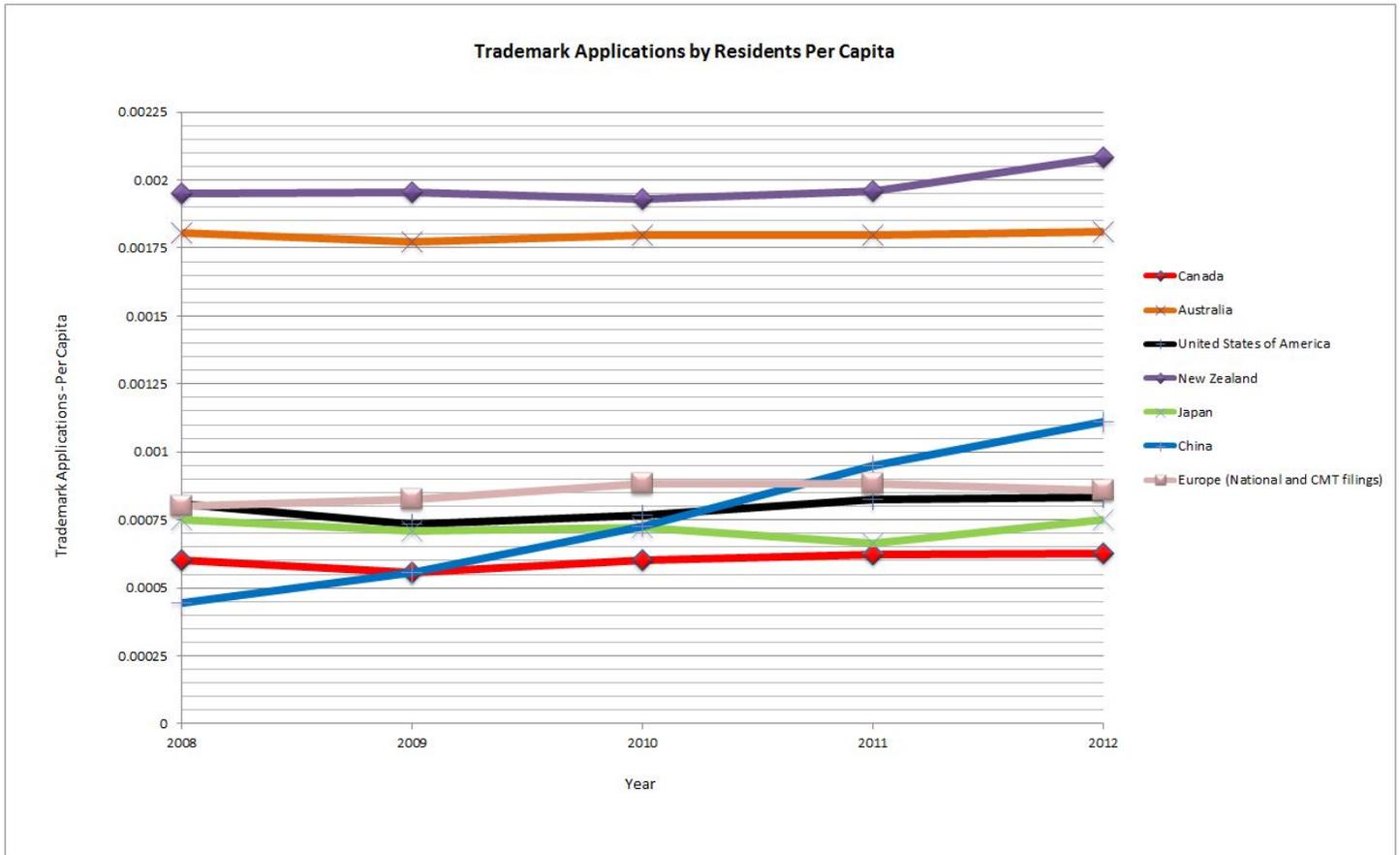
Major amendments to the *Trademarks Act*, passed but not yet in force, bring both opportunities and risks to Canadian businesses. Currently, Canadian residents file and register fewer marks in Canada than non-residents, and they also register at far lower rates than businesses in our major trading partners. To keep their competitive edge and avoid loss of rights, Canadian businesses should take steps now to register trademarks and slogans that are key to identifying and distinguishing their companies from others.

Where are the Canadian Trademark Applicants?

A review of international filing statistics shows that Canadian companies lag behind international counterparts in trademark registration. Canadian residents:

- consistently file fewer applications annually than non-residents;
- file fewer applications per capita than residents of many other major trading partners, including those with similar resource-based countries, such as Australia and New Zealand, where per capita resident filings are more than three times higher than Canadian totals; and
- have only modestly increased annual filings over the last five years, compared to many countries where annual resident filings have significantly increased since 2009.

Some simple comparisons are revealing. In 2012, Canadian residents (which include Canadian subsidiaries of many major international companies), filed about 21,700 applications, compared to over 41,000 resident applications in Australia, a country with a smaller population. Similar comments can be made for residents in the United States, Europe, New Zealand, Japan and China (where there has been an explosion of resident applications over the last few years). The table below, showing per capita filings in 2012 (the most recent available), demonstrates the low rates of Canadian resident filings compared to other trading partners.



NOTE, based on 2012 data collected by WIPO. Numbers for Europe are based on adding Community Trade Mark applications and applications filed nationally by EU members.

Of the above mentioned countries, only Canada has higher non-resident filings than resident filings.

Benefits of Trademark Registration

There are many obvious benefits: the statutory exclusive right to use a mark for defined goods and services across the country; the right to sue for infringement and depreciation of goodwill; clear access to the Federal Court whose judgments are enforceable across the country, a defence to passing off actions by others; and the fact that a registered mark will block registration of confusing mark, to name a few. Yet Canadian companies do not take advantage of registrations as frequently as non-residents.

Current filing fees in Canada are low compared to many other countries, so cost does not seem to justify the low Canadian resident filing rates. Many Canadian businesses, intentionally or not, rely only upon "common law" rights – acquired by use, and do not bother to apply to register their marks. However, Canadian businesses need to follow the lead of businesses in other countries and establish their rights on the Register.

Upcoming amendments to the *Trademarks Act*, passed but not yet proclaimed in force, will make reliance on common law rights only, without registration, much riskier. It will be easier to obtain registrations for broader lists of goods and services, and non-residents (now the majority of applicants in Canada), are likely to file in even larger numbers. Canadian businesses who defer registration may find they have lost the race to register, which could cost them the right to use the marks, names and slogans they now use, or the right to expand the use of those marks to new regions of Canada. At the same time, the amendments offer opportunities to Canadian companies to broaden the protection for their trademarks in Canada and abroad, but only if they apply to register their marks in Canada first.

Main Amendments to the *Trademarks Act*

- (i) The amendments **change the rules for registration of trademarks** – "use" is no longer a requirement to register. Applicants may file and register if they have used or propose to use their trademarks, and are entitled to do so in Canada. The impact of this change will be more registrations in Canada. Up to now, the requirement to use a mark before registration has been the "brakes" on the Canadian trademarks system, ensuring that only marks with real use somewhere were registered. That will no longer be the case, and more registrations are expected. Many trademark professionals and brand owners are also concerned that this will lead to trademark squatting.
- (ii) Canada will join the **Madrid Protocol**, an international treaty that may permit both less expensive acquisition of international trademark rights by Canadian businesses, and easier registration in Canada by foreign applicants who are expected to file in higher numbers than is now the case. The Protocol permits businesses with a home country application or registration to request their national office to file an extension of rights to designated countries. The International Bureau of the World Intellectual Property Organization manages this system and submits extension requests to national trademark offices, who in turn, approve or refuse the extension of rights. A key requirement is a national application or registration – so for Canadian businesses to benefit, applications must be filed in Canada first. Another important point is that extended international rights may depend upon successful registration in the home country. Should the Canadian application be refused, the international extensions may fail.
- (iii) A system of **classification of goods and services** used around the world will be implemented. The most immediate impact will be to increase filing costs. The current Canadian filing fee of \$250 for a limitless list of goods and services is one of the least expensive in the world. New fees, yet to be announced, will most likely be set on a per class basis with a possible volume discount (e.g. the first three classes for the price of one). While filing fees are likely to increase, registration fees will be eliminated.

The amendments also broaden the category of registrable marks (taste, sounds and smells), simplify opposition procedures, shorten registration terms (fifteen to ten years), and offer simplified recordal of assignments and other corporate changes. Not addressed now, but expected in future amendments currently before Parliament, are enhanced remedies for infringement and counterfeiting.

What Should Canadian Businesses Do Now?

- **Canadian businesses should act promptly to secure their rights before others do.** While it will still be possible to both oppose or challenge third party applications and registrations based on prior rights, those procedures are expensive and time-consuming, and the results are never certain. We expect, at least initially, that oppositions will be more expensive and less certain until the Courts have an opportunity to consider the impact of "proposed use" filings and rights gained without use in Canada. Canadian companies should review marks, names, slogans and other indicia in use, and consider if filings should be made now, even before amendments come into effect.
- **File now for any marks that might also be filed abroad.** Once implemented in Canada, the Madrid Protocol may offer cost savings to Canadian businesses who wish to file abroad, but only if those businesses already have a Canadian application or registration, the prerequisite for use of the Madrid Protocol.
- **Renew any marks that are due for renewal in the next year.** Since the term of registrations and renewals will shrink to ten years from fifteen, renewing any mark that is due for renewal within a year may allow owners to benefit from a longer term, and possibly a lower renewal fee.
- **Consider filing now for marks to improve remedies for infringement and counterfeiting.** Additional amendments to the *Trademarks Act* are expected to add both criminal sanctions for infringement, and offer enhanced protection against counterfeits. However, they will be available to owners of registered trademarks and copyright only. Prepare by getting marks on file now.

The implementation date of the amendments to the *Trademarks Act* is not known, but could be as early as spring 2015. By filing for trademarks now, Canadian businesses may avoid increased competition for trademarks and lower the risk of challenge by others to use or registration of their important marks.

For more information on the amendments, registration advantages and procedure, and Madrid Protocol filing procedures, please contact us.



Cynthia Rowden
Partner, Head of Trademarks Group



Scott MacKendrick
Partner

Bereskin & Parr

INTELLECTUAL PROPERTY LAW

crowden@bereskinparr.com
416.957.1617

smackendrick@bereskinparr.com
416.957.1675

Information on this website is for information only. It is not, and should not be taken as, legal advice. You should not rely on, or take or not take any action, based upon this information. Professional legal advice should be promptly obtained. Bereskin & Parr LLP professionals will be pleased to advise you.