



A Perfect Storm Confronts Trademark Owners and the Canadian Trademarks Office: 45-Class Applications and the Implications for Trademark Selection, Registration and Enforcement

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Recently, there have been numerous reports in legal newsletters, including the *World Trademark Review*, about an international trend of multiple trademark filings linked to a few applicants or representatives. Canada has not been immune to this phenomenon. Starting in 2017, related applicants and agents, including a company called Brandster Branding Ltd (“Brandster”), as applicant, and Trademarkr LLC, as agent, have filed hundreds of Canadian trademark applications listing all 45 classes, and covering pages of goods and services. The marks are a bewildering selection of existing trademarks, dictionary and coined words and personal names. While it is plausible that a company with big plans might file one or two applications for a wide range of goods and services and have a valid, if over-ambitious, intent to use, or license the use of those marks, filing hundreds of 45-class applications suggests another goal – to take financial advantage from the filings, either to sell the marks, to license them, or to exact remuneration for consent to use or register identical or similar marks. In-house counsel have called for steps to counteract the impact of these applications, and in other countries, such applications have been identified as having been filed in bad faith.

Canada is especially vulnerable to abuse caused by these 45-class applications for two reasons. First, the current trademark application filing fee is \$250CA, regardless of the number of goods, services and/or classes. Most countries charge fees-per-class, making coverage for 45 classes a very expensive proposition. For example, in the United States, government fees for 45 classes, using the most efficient filing strategy, would be \$11,250US, and for similar coverage in the European Union, the cost would be €7200. This likely explains why applications filed in other countries by the same group of related applicants and agents have covered a smaller number of classes. While fees-per-class are expected to be introduced in Canada in early 2019 along with implementation of major amendments to the *Trademarks Act*, for now it is an understatement to say that current filing costs in Canada are a bargain.

Second, current Canadian law requires a trademark to be used before it can be registered. The chance of obtaining protection for 45 classes of goods/services is practically impossible under the current system. However, the use requirement will change with implementation of the amendments, and any allowed application on the Register, including thousands filed in the last few years based on proposed use, will be able to register without any use at all, simply on payment of the \$200CA registration fee. The combination of low filing costs and the prospect of registration without use has created a perfect storm, making Canada an attractive venue for applications that appear to be filed fraudulently. Many commentators warned that the amendments to the Trademark Act to eliminate use as a registration requirement would lead to trademark trolls, and the current situation seems to support that concern. What is the impact in Canada, and what recourse does the Canadian Intellectual Property Office (“CIPO”) and/or third parties have to respond to such acts?

The large number of 45-class filings now means that these applications are starting to show up in trademark searches. Particularly for applicants seeking protection for precise goods, the prospect of wading through pages and pages of goods/services is daunting – adding both time and expense to the searching process. For self-represented applicants who may not yet have heard of this phenomenon, the 45-class applications appear to be an immediate and insurmountable



obstacle to registration of the selected mark and a potential risk to use. Some potential applicants may be deterred and move on to other marks. Others may consider approaching the applicant for consent, or to purchase the problematic mark – apparently playing into the hands of the suspected business model of the 45-class applicants.

The 45-class applications also present a problem for examiners at CIPO, who now examine new applications for technical compliance, on relative grounds and for inherent registrability. While the 45-class phenomenon is new, some of the first 45-class applications have now been examined, and have received pages of objections based on compliance with specificity requirements for goods/services, as well as confusion with other marks. It is likely that CIPO time commitments to examine the 45-class applications are significant, and when examination turn-around time is a major issue for CIPO, these applications are obviously troublesome.

These 45-class applications also compromise the Register, complicating clearance and use opinions, and reducing its relevance as an indicator of market activity in Canada. And, unlike most trademarks, which have a specific connection to a business offering a limited list of goods and services, the 45-class applications suggest an attempt to acquire a virtual monopoly for the mark.

It remains to be seen what effort applicants such as Brandster will invest in these applications if they require detailed responses and amendments to comply with CIPO examination issues. However, UK statistics cited in a recent UK opposition decision indicate that entities related to the Canadian 45-class applicants have been responsible for up to 8% of all contested trademark cases before the UK Intellectual Property Office, which suggests that examination issues are unlikely to deter the Canadian applicants, or slow down the progress of their trademark acquisition.

The UK decision, *In the Matter of: The Trade Marks Act 1994 -and- In the matter of: Trade Mark Application No. UK00003146477* by CKL HOLDINGS NV -and- Opposition No. OP000406941 by PAPER STACKED LIMITED, was an appeal of the Registrar's decision to refuse CKL's application for ALEXANDER, on grounds of bad faith. (CKL is also an applicant for 45-class applications in Canada). The Registrar found that the application was filed as part of "a blocking strategy intended to obtain financial benefit from third parties who are likely to be already using, or who are likely in the future to wish to use, tradenames". Of the CKL applications, it was noted that none had been used, there was no apparent commercial logic for the filing pattern, and that the applicant and related companies had already been found to have abused legal systems. The evidence pointed to a *prima facie* case of "no intent to use the marks in accordance with its essential function", namely to distinguish the applicant's goods/services from those of others. The refusal based on bad faith filing was upheld on appeal.

Similar reasoning should apply in Canada should any of the Canadian 45-class applications be opposed. In Canada, an opposition can be based on four specific grounds, one relating to technical non-compliance, which in turn may relate to improper filing bases. The Canadian 45-class applications claim "proposed use" as the filing basis. Failure to have a valid intent to use a mark may result in refusal. Further, there are a few Canadian decisions suggesting that fraud is a separate ground for refusal. Opposition evidence showing the filing pattern of hundreds of marks in Canada covering all conceivable classes of goods and services, as well as thousands of filings abroad by apparently related entities, without any obvious business activity (except possibly attempting to license the marks) should hopefully be enough to shift the burden to the applicant to prove a valid intent to use its mark. Without a justification for the claim to proposed use, it seems that the Opposition Board should refuse the 45-class applications.

In addition, should any of the 45-class applications actually issue to registration, there would appear to be very good grounds upon which to claim that the registrations are invalid and unenforceable, since the registrant never had the requisite intent to use the mark, that its lack of use means that the mark can never distinguish the registrant's goods/services from those of others, and also for fraud.

The obvious problem with relying on opposition and expungement proceedings to police this activity is that they shift the responsibility to challenge questionable and possibly unlawful activity to third parties. A usual proceeding would take years and many thousands of dollars, and most legitimate businesses do not have those resources – they will be faced with either moving to another mark, or entering into negotiations with the owner of the similar mark. Either way, the 45-class applications are changing normal business behavior, and are possibly being used for unauthorized business practices.

CIPO has declared, in many written decisions, that its role is to maintain the integrity of the Register. Given the suspicion that the 45-class applications are not for valid business purposes, a more preferable option would be for CIPO to take the



lead in addressing this pressing problem. One option would be to use its own examination procedures. Can CIPO refuse an application for suspected abuse? If an opponent can successfully raise non-compliance grounds such as no intent to use or the applicant's inability to be satisfied that it is entitled to use the mark, CIPO examiners could similarly question the applicant's claims during examination. CIPO has not done so before, but there has never before been the potential for abuse of the scale now posed by hundreds of 45-class applications. Presumably CIPO does not want to add to its examination burden by questioning the *bona fides* of every applicant, but when faced with the specific examples of related applicant 45-class applications, there is a *prima facie* rationale for concern and suspicion justifying a new procedure.

When the potential for abuse is so significant, and the costs to other applicants and the public are so significant, CIPO should not feel constrained to wait until a third party opposes an application to assess filing strategy. Since the Registrar, in an opposition proceeding, is able to determine compliance following the filing of evidence and submissions, there is no reason to think that an examiner could not undertake the same exercise and require evidence supporting both valid intent to use, and entitlement to register. By way of analogy, examiners review requests for publication of marks under section 9 of the *Trademarks Act* by requiring applicants to demonstrate their status to seek s. 9 rights. Asking for proof of the applicant's intent to use a mark in all 45 possible classes of goods and services is a reasonable requirement. And, while the amended *Trademarks Act* will eliminate filing grounds, applicants will still have to have used their mark in Canada, or propose to use the mark in Canada. Even without a specific filing ground, it seems that CIPO could still question the applicant's filing prerequisites. For now, what strategies should be adopted if 45-class applications are encountered during a search, or in examination? In terms of risk to "use", while they can't be ignored, practically, they seem to pose little, if any, risk. In Canada, an application, alone, without use, is not a basis to object to use, even if the mark is confusing or identical. In addition, all of the 45-class applications seem vulnerable to successful oppositions, so putting a watch in place to oppose pertinent marks, and then opposing, should prevent the marks from registering. Further, even if a 45-class registration issues, it is doubtful that a court would uphold it if challenged, making them weak weapons in an infringement action. Eventually, Canada's summary non-use proceedings (in s.45 of the *Trademarks Act*) could also be used to remove or limit any questionable registrations.

However, the 45-class applications will make registration of similar marks more difficult, and threaten to deny valid businesses the statutory benefits of registration. CIPO is required to cite prior confusing applications or registrations, and the increasing number of 45-class applications makes it inevitable that they will be cited against new applications. It seems unpalatable to succumb to the likely business goal of the 45-class applicants by paying to acquire the cited application or for consent, particularly when the rights are of questionable validity. Taking the chance of filing, and then adopting a "wait and see" approach is another option – CIPO may resolve the problem by aggressive examination of the 45-class applications, and until those examination issues are resolved, extensions of time should be permitted to any other applicant who receives a citation based on the 45-class applications.

The 45-class applications threaten to destroy normal trademark rules of behavior, and turn the Register over to obvious abuse. The coming per-class fee regime in Canada may deter the filing of 45-class applications, but experience in other jurisdictions suggests that the applicants may continue their filing practice. What is needed is a combination of early and aggressive examination by CIPO, resolve by others not to be bullied by this behavior, and a developing body of law clarifying what "intent" is required to justify registration. Failing to address this will result in the Register becoming a meaningless index, and worse, justifies business practices that have never before been condoned.

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