



Bill C-31 and the proposed *Trademarks Act*: Is it Ultra Vires?

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"Use" is one of the principal motifs of the *Trade-marks Act*. Almost every substantive provision of the Act refers to use. This is no mere coincidence. In Canada, trademark rights have always arisen as a result of use. Without use, there can be no goodwill, and without goodwill there can be no trademark rights. This has been the case with every federal trademark statute since the first statute was enacted in 1868. At least, that's been the case until the launch of Bill C-31.

In the recent *Masterpiece* decision of the Supreme Court of Canada, Justice Rothstein stated the following:

"At the outset, it is important to recall the relationship between use and registration of a trade-mark. Registration itself does not confer priority of title to a trade-mark. At common law, it was use of a trade-mark that conferred the exclusive right to the trade-mark. While the *Trade-marks Act* provides additional rights to a registered trade-mark holder than were available at common law, registration is only available once the right to the trade-mark has been established by use. As explained by Ritchie C.J. in *Partlo v. Todd* (1888), 17 S.C.R. 196, at p. 200:

It is not the registration that makes the party proprietor of a trademark; he must be proprietor before he can register..."

That a trademark and the goodwill it represents are inextricably intertwined is likewise the foundation of U.S. trademark law. In the *Boston Professional Hockey Association v. Dallas Cap & Emblem Mfg., Inc.* case, the point was expressed as follows:

A trademark is a property right which is acquired by use. . . .An individual selects a word or design that might otherwise be in the public domain to represent his business or product. If that word or design comes to symbolize his product or business in the public mind, the individual acquires a property right in the mark. The acquisition of such a right through use represents the passage of a word or design out of the public domain into the protective ambits of trademark law.

Thus, in both Canada and the U.S., "use" is an essential condition for creation of enforceable trademark rights, in contrast to other countries where trademark rights are based on registration, not use. The proposed *Trademarks Act* of Bill C-31 undermines the foundation of Canadian trademark law by providing for the first time, the possibility for an applicant to secure a registration in Canada without having used the mark anywhere.

The legislation if enacted invites a constitutional challenge on the authority of Parliament to legislate rights conferred by registration and not use. In effect, this amounts to creating trademark rights "in gross". The issue, in short, is whether the proposed legislation constitutes an undue invasion of the rights of the provinces to legislate in relation to property and civil rights within the province, and therefore is *ultra vires* of Parliament, and whether it can be justified as "trade and commerce" given there is no trade, and no commerce at the time of creation of trademark rights "in gross".

The authority of Parliament to legislate in relation to trademarks stems from s. 91(2) of the Constitution Act, 1867, which grants to Parliament exclusive jurisdiction in relation to trade and commerce. This jurisdiction has two branches, (1) the power over international and interprovincial trade and commerce, and (2) the power over general trade and commerce affecting Canada as a whole. The authority of Parliament to enact a national registration scheme has never successfully been challenged, but the circumstances presented by the proposed *Trademarks Act* are different from what has previously



been considered.

The Supreme Court of Canada dealt with the constitutional validity of the *Trade-marks Act* in *Kirkbi AG v. Ritvik Holdings Inc.* In writing the unanimous opinion of the Court, Justice LeBel stated as follows at paragraph 31:

The scheme set out in the *Trade-marks Act* regulates both registered and unregistered trade-marks. It regulates the adoption, use, transfer, and enforcement of rights in respect of all trade-marks. If trade-marks are intended to protect the goodwill or reputation associated with a particular business and to prevent confusion in the marketplace, then a comprehensive scheme dealing with both registered and unregistered trade-marks is necessary to ensure adequate protection. The inclusion of unregistered trade-marks in the regulatory scheme is necessary to ensure the protection of all trade-marks. **The *Trade-marks Act* is more than simply a system of registration.** (emphasis added)

Isn't the proposed *Trademarks Act* simply a system of registration, in conferring rights based on registration and not on use? It is submitted that the proposed *Trademarks Act* would unduly encroach on property and civil rights within a province by granting rights to a trademark "in gross", without any requirement for use anywhere.

Consider what might occur where a registration is issued absent use anywhere, and is immune from cancellation for non-use for a period of three years from the date of the registration. After the registration has issued, someone else commences use of a confusing trademark or trade name in a province without knowledge of the issuance of the registration, and without any evidence of bad faith. Such use, although valid at common law, would constitute trademark infringement and thus make the user liable to an injunction even though the registered mark has not been used anywhere. Thus, even if it were the case that creating a statutory trademark right "in gross" somehow is a valid exercise of federal power, given the Canadian constitution it is hard to see how such a statutory trademark right, absent use anywhere, would not intrude unduly on property and civil rights within the province.

The trademark legislation proposed in Bill C-31 thus threatens to abandon more than 140 years of trademark jurisprudence as well as inviting a risk to constitutional challenge. The potential for chaos that would result if the Bill becomes law could be avoided if the government steps back and reconsiders whether use should remain a requirement for registration.

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