The New Canadian Trademarks Act at Nine Months Gestation

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By Susan J. Keri

The new Canadian Trademarks Act came into force on June 17, 2020 (the “CIF” date), almost exactly nine months ago to the day, completely overhauling Canadian trademark law and practice. The past nine months have been challenging for both practitioners as well as trademark owners, and can aptly be described as a period of gestation.

In the first trimester, there was overwhelming morning sickness. In fact, some would say it lasted throughout the day, and well into the evening.

The changes to the Canadian trademark regime were monumental, including, most notably, the elimination of “use” as a prerequisite to registered trademark rights. Prior to the CIF date, applicants with allowed applications, who had not claimed use when filing, were required to file a Declaration attesting to use of the mark in Canada before a registration could issue. The amendment to eliminate use meant that once the new legislation came into force, the Declaration was no longer necessary. In anticipation of this change, many applicants secured extensions of time to file the Declaration. As of the CIF date, there were over 40,000 allowed applications waiting to secure registration, causing notable technical glitches at the Trademarks Office struggling to keep up with the demand. Within the first three months of the CIF date, nearly 30,000 applications were granted registration - many without use of the mark anywhere.

For the first time, Canadians had to deal with trademark trolls attempting to secure registered rights without use, or any legitimate business interest in Canada. Historically, the requirement to use a mark before registration discouraged trolls. However, that changed when the Trademarks Act amendments were announced in 2014. As of the CIF date, several hundred applications were filed in Canada in all 45 classes of goods and services, for trademarks consisting of commonly used words, given names and famous brands. Not surprisingly, these “troll” applications began to be cited against subsequently filed, “bona fide” applications for similar or identical marks, requiring trademark applicants to incur the cost and the time of trying to overcome the citations. Many of these “troll” applications encountered Office actions (mainly for further specification of the goods and services), and were abandoned. However, in an “ever-greening” effort, and with the obvious intention to block and extort, many of these applications were subsequently re-filed in all 45 classes.

Yet another side effect resulting from the elimination of use as a prerequisite to registration was the fact that the trademarks Register would no longer contain information on use. Practitioners became increasingly concerned that the evaluation of risk based on prior use rights through Register searching would be practically impossible. The assessment of prior use rights would require additional search methods, and the amendments effectively shifted the responsibility, and the cost, of policing the Register to brand owners through opposition proceedings and non-use cancellations.

Another significant shift from the prior trademark regime was the adoption in Canada of the NICE classification system. However, the requirement to classify goods and services in ordinary commercial terms was nonetheless maintained, making the specification of goods and services in a trademark application even more onerous than before. Moreover, unlike some other jurisdictions, an applicant cannot include multiple classes in the original application and re-assess NICE classification and class fees post filing without potential cost consequences. Under the new regime, an applicant is required to pay class fees for all included classes as of the filing date, regardless of whether some goods or services are subsequently deleted. Practitioners and trademark owners began to realize the importance of carefully assessing the scope of the goods and services in an application, and the classes into which they would fall, prior to the filing of the application.
As the morning sickness of the first trimester began to wane, the second trimester brought on heartburn.

With the implementation of the new legislation and the corresponding changes to filing, examination, opposition and registration practice, not only practitioners, but also Trademark Office examiners, were faced with a steep learning curve. Not surprisingly, applications were facing considerable delays in examination, and the Trademarks Office became increasingly backlogged.

Many applications began encountering non-distinctiveness objections, and for marks that, under the previous regime, would have been entirely registrable. The new legislation gives Examiners broad powers to object to an application if, in the Examiner’s preliminary view, the mark is *not inherently distinctive*. While the Trademarks Act defines “distinctive” in relation to a trademark (Section 2), there is no criteria in the legislation to assess what renders a mark distinctive, nor is there a definition for what renders a mark “not inherently distinctive”. As a result, Examiners were challenged in finding the dividing line between marks with no inherent distinctiveness, and marks with low inherent distinctiveness, the latter of which should not be prohibited from registration.

Moreover, since the new examination rules dealing with distinctiveness applied not only to applications filed after the CIF date, but also to those pending and not yet advertised for opposition as of the CIF date, Examiners began to re-examine all pre-advertised applications for distinctiveness. Since the bulk of these applications were filed based on intent to use, filing evidence of acquired distinctiveness to overcome the objection was not an option. The objection could be overcome only through written argument; however, the type of argument that would successfully overcome the objection was not at all clear.

While the new Trademarks Examination Manual contains guidelines for dealing with non-distinctiveness objections, as well as the type of marks that would trigger one, recent cases suggest that predicting the likelihood of encountering a non distinctiveness objection, or anticipating the outcome, is very difficult. Heartburn indeed.

In addition, practitioners struggled with interpreting the new bad faith grounds of opposition and invalidation. Responding to the increasing concern over trademark squatters, the Federal government proposed, in a second round of amendments (Bill C-86), a new ground of opposition and invalidation based on bad faith. While some of the amendments contained in Bill C-86 have not, to date, been implemented, the bad faith amendments came into force together with the other Trademarks Act amendments. However, the new legislation does not contain a definition for “bad faith”, which left practitioners wondering how this ground could be supported, and what type of evidence would be required.

By the third trimester however, practitioners began adapting to the changes, and developing novel approaches and arguments. In response to the increasing citations based on confusion with a “troll” application, more reliance was placed on the provisions of Section 37(3) of the Act, which permits the Registrar, when in doubt as to the registrability of a mark, to approve the application for opposition. The owner of the cited mark would be notified of the right to oppose, but the onus would effectively be shifted to the “troll” to enforce its mark. The use of Section 37(3) in cases such as these will, hopefully, engage the Registrar in taking a greater role to alleviate abuses with trademark trolls.

In addition, given the absence of a statutory definition for “bad faith” as a new ground of opposition and invalidation, practitioners began looking at past jurisprudence in other areas in which the concept of bad faith was dealt with, such as dispute resolution with respect to domain names under the Canadian Internet Register. Practitioners also considered Section 30(i) of the previous legislation, which required an applicant to include a statement in the application that it was satisfied of its entitlement to use the mark in Canada. This provision was relied on under the previous regime as a ground of opposition alleging facts that would render the applicant’s statement under Section 30(i) untrue, such as the applicant having been a former licensee of the opponent’s goods, or having had some pre-existing business relationship with the opponent, or a history of filing for famous marks. It is expected that these types of scenarios will provide guidance on the interpretation of “bad faith” in the context of an opposition or invalidation action under the new legislation.

Practitioners are also formulating novel prosecution strategies when dealing with non distinctiveness objections. For example, in the case of brands at risk of encountering non distinctiveness objections, and particularly for marks that have not been used in Canada or only recently adopted, and for which there would not be sufficient evidence to prove acquired distinctiveness, applicants are being advised to file in combination with coined or invented words and/or designs. If only a portion of the mark is considered not inherently distinctive, but other portions have at least some inherent distinctiveness, the trademark, as a whole, should be considered to have some inherent distinctiveness, and an objection should not be raised.

The new legislation also contains a provision for the notification of third party rights, permitting any third party to file, at any...
time up until the application is registered, a notification alerting the Examiner to a prior confusing registration or previously filed application, or use of a registered mark in the specification of goods or services contained in the application. This can prompt the Examiner to issue a citation, and possibly avoid an opposition. While the Examiner may still approve the application despite the notification, tools such as this one will likely become quite valuable going forward.

In addition, Bill C-86 includes a section stating that a trademark registration less than three years old may not be asserted in court without evidence showing use of the mark in Canada, or exceptional excuses for non use. While this provision is not yet in force, practitioners and trademark owners have some comfort knowing that there will be safeguards in place to prevent trademark owners from relying on “useless” registrations.

As the nine month gestation period has come to an end, so too has the morning sickness and the heartburn. The journey has not been without its challenges; however, practitioners and trademark owners are adapting to the new regime, and developing novel approaches and arguments that will undoubtedly create a new body of law, and provide further clarity going forward. As with any new life, there is hope.