

## Canada's new "use-less" Trademarks Act

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There has been no consultation and little support for fundamental changes to the Canadian registration process, as Cynthia Rowden, Bereskin & Parr, explains.

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For as long as Canada has been a country (since July 1, 1867), "use" has been fundamental to the acquisition of trademark rights, whether by statute, common or civil law, and a prerequisite to registration of a trademark. The necessity for use prior to registration was abolished, without prior public consultation, in legislation enacted by Parliament in June 2014. The amended Act is to come into force after Regulations have been promulgated, possibly late 2015 or 2016. Judicial precedent, including that of the Supreme Court of Canada, makes it clear that use is a registration requirement and that without "use" a trademark is nothing, yet Parliament saw fit to enact such legislation, inviting a constitutional challenge.

The current Canadian system, which logically tempers the amount of statutory protection with the realistic needs of trademark owners, will now face the increasing costs and uncertainties other "use-less" systems experience.

### Starting point: the present use-based system

Currently to register a trademark in Canada, a mark must be in "use". Applications must identify filing grounds, including actual use in Canada, proposed use in Canada, which requires a declaration of use in Canada to be filed before registration, and use somewhere plus an application or registration issued in the applicant's home country. All information on filing grounds remains on the Register. In addition, goods and services need to be specified in ordinary commercial terms, which often means a much more detailed list than is permitted in other countries.

These provisions reflect the fundamental role of a trademark, namely to distinguish goods and services of one trader from those of another. Without "use", a trademark cannot distinguish anything. Further, the current requirements make the Canadian Register a very effective tool for searching, allowing users to zero in on the real business of trademark owners and applicants. In fact, the writer has been told by many trademark owners and professionals in other

countries that the Canadian Register is a handy reference to quickly determine use, when other international registers list neither use information nor specific goods and services.

### International pressure for change

In 2013 and 2014, the Government responded to both international pressure and trade negotiations to enact changes to the trademark system. First, amendments were introduced as part of the *Combating Counterfeit Products Act*, to provide criminal sanctions for trademark counterfeiting and infringement, and to provide a "request for assistance" procedure to permit owners of registered marks to ask Customs to assist with temporary detention of suspected counterfeit goods. In a "while we're at it" move, the legislation added the ability to protect a broader range of non-traditional marks and permitted division of applications, akin to the system used in the United States that allows registration for goods or services in use, while leaving the remaining goods/services pending.

Also, in a move that now seems to be a precursor to the next piece of legislation, the Act contained provisions designed to ease administrative burdens on the Trademarks Office, for example, permitting destruction of documents on abandoned/expunged files, and getting rid of the concept of "associated" marks.

Before those amendments were passed, other trade negotiations precipitated a surprising overhaul of the *Trademarks Act*. In late 2013, as a result of negotiations relating to the Comprehensive Economic Trade Agreement (CETA), effectively a Canada-Europe trade agreement, Canada agreed to use best efforts to accede to a series of IP treaties, including the Madrid Protocol, the Singapore Treaty, and the Nice Agreement on classification of goods and services (the Treaties).

Without giving the public, trademark owners, or trademark experts and practitioners a chance to consider how those amendments

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might best be integrated into Canadian trademark law and practice, the Government added the amendments to an omnibus budget bill (C-31), along with amendments to more than 60 other pieces of unrelated legislation, introduced in Parliament on March 29, 2014.

Beyond laying the groundwork for the Treaties, the focus of the amendments was to remove “use” as a registration requirement, by permitting registration to any person who has used a mark in Canada or proposes to use a mark in Canada, and is entitled to use the mark (referring to relative rights over other parties). Owners would no longer need to provide any specific information on use, or file a declaration of use before registration. A discussion document on the revised regulations suggests that even information regarding use currently on the Register will be stripped out.

Use will not be required to maintain a registration unless a third party seeks non-use cancellation after the third anniversary of registration (or seeks expungement on the basis of abandonment), nor is evidence of use necessary at renewal. At the same time, registrants will continue to have all of the benefits of registration, including the exclusive right to use the mark across the country.

### Concerned reactions

The reaction to the amendments was immediate and consistently adverse. Groups ranging from chambers of commerce, business groups representing franchisors, manufacturers, exporters and advertisers, major Canadian companies and virtually all Canadian

IP firms identified numerous adverse implications of the changes, including:

1. a clear clash between common law rights, which depend upon use and reputation, and registration rights, which would not;
2. uncertainty, risk and cost of trademark searching and clearance by eroding the usefulness of the Register as a helpful indicator of marketplace use, necessitating more investigations;
3. longer lists of goods and services, making the Register merely a reflection of hopes and dreams, as opposed to actual use;

4. the impact of “use-less” registrations on oppositions and enforcement of rights in Canada, particularly since use has always been a precursor to enforcement;
5. risk of a constitutional challenge based on the impropriety of Federal Government legislation on trademarks, under the “trade and commerce” powers, if registration could be granted with neither trade nor commerce in Canada; and
6. squatting and trademark trolls.

Canada lies midway between Europe, where the main problems with the trademark system appear to be owner over-reaching and cluttering, and China, where trademark squatting is a serious problem. Permitting registration without use, and without easier ways to deter applications that obviously do not reflect a business interest of the registrant, will play into the hands of individuals and businesses in countries where business ethics do not play a significant role.

The Government dismissed concerns as being from self-interested lawyers who were resistant to change (comments actually made before a Parliamentary Committee considering the amendments). The amendments were passed without any changes, and await further consultation on the Regulations and fees before implementation, estimated to be in late 2015 or early 2016.

To the best of the writer’s knowledge, not a single trade association, law association, trademark owner, or experienced trademark lawyer has spoken out in favor of the legislation, suggesting that the Government may be more interested in hurriedly appeasing potential trading partners than in consulting with, and carefully and deliberately considering what may be in the best interests of, Canadian businesses.

### A questionable justification for the amendments

Government spokespersons, who repeatedly stated that “use” continues to be essential to the “acquisition, maintenance and enforcement of rights in Canada”, a statement that defies comprehension, justified the amendments by being “required” by the Treaties. However, in the most detailed study of how Canada’s trademark laws must be amended to comply with the Treaties, the Government’s own expert offered many alternatives to treaty adherence that do not strip “use” from trademark registration.

The most obvious illustration of how the Treaties can be accommodated while maintaining a use-based system lies in Canada’s neighbor to the south. In the United States, filing grounds akin to those in Canada remain in place, with the limited exception of Madrid-Protocol applications, and the US Register continues to reflect use claims made by applicants. Even Madrid Protocol applicants in the US must claim a “bona fide” intent to use, and are

subject to use requirements in the sixth year of registration and upon renewal.

The Government has pointed to European models of registration, without noting many of the key European differences. The constitutional framework of law-making in Canada obviously differs, where the provinces have exclusive legislative authority over property and civil rights and matters of a merely local nature in the province. Also, unlike many European systems, the present *Trademarks Act* provides a statutory basis for passing off, which obviously conflicts with a “useless” registration system. There is no examination for relative rights in Europe, although the Government maintains that it will continue to do so in Canada, a task that will become increasingly difficult with more filings with more goods and services.

In Europe, registrations, for at least five years, can be enforced without any use at all – a result that could never have happened in Canada since the registration would never have issued at all. In fact, the Supreme Court of Canada has stated that “use” is the basis of trademark rights in Canada.

By choosing a European model, the Canadian Government has ignored the growing discontent with the EU system, where a

combination of no use requirements, a filing fee structure that encourages at least three class filings, and a frequent practice of using deep pockets to get registrations far beyond the real business interests of the registrant, have created a “cluttering” problem that now demands attention. Instead of heeding those problems, the Government seemingly intends to have Canada adopt a system ripe for abuse.

The Government claims that the changes will remove paperwork burdens on brand owners, reduce costs and encourage more small and medium businesses to file in Canada. However, businesses deserve efficient systems that reflect marketplace reality. Registration in Canada comes with significant privileges, including statutory exclusivity, and those stand to be abused if registration becomes merely an exercise in filling out boxes in an online form.

By ignoring the reasoned responses from businesses and trademark professionals, we expect not only added costs, but years of uncertainty while the courts deal with the many ambiguities of the amendments.

*The author thanks Dan Bereskin and Scott MacKendrick for their helpful comments.*

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## Résumé

### **Cynthia Rowden, Head of Trademarks, Partner, Bereskin & Parr LLP**

Cynthia is a partner with Bereskin & Parr LLP and Head of the Trademarks practice group. She specializes in all areas of trademark and copyright law. Much of her practice relates to managing the international trademark portfolios of large Canadian companies, and the Canadian portfolios of some of the biggest trademark owners in the world. Her practice includes advice on selecting and protecting new marks, opposition and cancellation proceedings, strategy for enforcement, and Internet-related intellectual property issues.

Cynthia has chaired and served on numerous committees involved in trademark law, Internet and domain name law and international trademark protection. She is a past President of the Intellectual Property Institute of Canada (IPIC), and has previously chaired both its Trade-mark Joint Liaison and Trade-mark Legislation Committees. She is currently a member of the

Institute’s Trade-mark Legislation Committee. Cynthia was previously a member of the Board of Directors of the International Trademark Association (INTA), and is currently a member of its Trademark Office Practices Committee (TOPC). For both IPIC and INTA, she has been involved in reviewing, commenting and presenting to the government on new trademark legislation dealing with counterfeits and other changes to the Trade-marks Act. She is a frequent writer and speaker on trademark law, and delivers the annual paper on recent developments in trademark law to the Law Society of Upper Canada.

Cynthia is frequently named as a leading trademark practitioner in Canada and globally. The 2014 edition of *The Best Lawyers in Canada* named Cynthia as Best Lawyers’ 2014 Toronto Intellectual Property Law “Lawyer of the Year.”

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