

Updating Canadian Trademark Filing & Registration Strategies in the Face of Recent Legislative Changes

Intellectual Property Bulletin

Recent amendments to the Canadian trademark landscape will dramatically change how trademark owners protect their marks in Canada. While enacted to ease the administrative burden of trademark owners, it remains to be seen, however, if these amendments will have the desired effect. Regardless, those seeking trademark protection will likely need to revisit their trademark filing strategies to meet this "new normal" and avoid any potential new pitfalls arising therefrom.

To assist those seeking trademark protection in Canada, the authors have identified some key trademark filing strategies for avoiding or minimizing the potential impact of these recent amendments.

Background

The Canadian government's desire to increase efficiency in several areas of the Canadian intellectual property sphere, as set out in its Economic Action Plan 2014,[1] resulted in significant amendments to several IP statutes, including the Canadian *Trademarks Act*.^[2] The amendments provided in Bill C-31 were proposed not only to bring Canadian trademark application filing and registration in line with Canada's international treaty obligations, but also to decrease the costs associated with obtaining trademark protection. While not yet in force, the amendments provided in Bill C-31 include a number of revisions to streamline filing and registration procedures, to reduce the costs of doing business in Canada, and to make Canada's trademark regime consistent with international norms.

As a result of the above noted amendments, trademark owners seeking to protect their assets in Canada will need to take into account the following five changes brought in under Bill C-31.

1. Canadian vs. International Filing Strategies

One of the more significant changes will be the implementation of the *Madrid Protocol*^[3], which proposes to streamline the ability of Canadian trademark owners to obtain registrations in multiple jurisdictions and international trademark owners to designate Canada as a country in which they would like to obtain trademark protection.^[4]

One proposed advantage to the *Madrid Protocol* is cost savings; applicants can manage

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their international trademark portfolios through a centralized system. This will obviously be of significant interest to non-Canadian applicants. It may, however, be of less interest to Canadian applicants who are only concerned with Canada or a limited number of jurisdictions outside of Canada. For these applicants, little costs savings may be achieved. It is possible, on the other hand, that this filing system will encourage Canadians to pursue more aggressive trademark protection strategies internationally.

With either a Canadian application or a Canadian registration, Canadian trademark owners will be able to take advantage of the Madrid system to select any of an ever expanding number of *Madrid Protocol* member countries in which to obtain trademark protection. The Madrid system is not without its drawbacks, however. International registrations and applications pursued under *Madrid* are vulnerable to cancellation of the basic application from which they flow, and, if this basic application is successfully attacked within five years all the national applications then fall^[5]. As the saying goes, the devil will be in the details as the corresponding regulations implementing the system in Canada have yet to be enacted.

2. New Grounds for What (and What Not) Constitutes A Trademark

Under Bill C-31, the term "trademark" (no longer hyphenated) under the Canadian *Trademarks Act* will become a significantly more encompassing term. Specifically, the definition of "trademark" will include "a sign or a combination of signs", which are not only words and designs, but also personal names, letters, numbers, colours, figurative elements, three-dimensional shapes, holograms, moving images (e.g., GIFs), modes of packaging goods, sounds, scents, tastes, textures and the positioning of signs.^[6] As a result of expanding the definition of "trademark", "distinguishing guises" will no longer exist as an individual category of trademarks. Distinguishing guises are trademarks that comprised the shaping of wares or their containers, or the mode of wrapping or packaging wares, the appearance of which distinguished the source or origin of those wares.^[7]

The amended *Trademarks Act* also provides that a trademark, the features of which are primarily utilitarian, will not be registrable.^[8] Under the previous *Act*, this requirement applied only to distinguishing guises. Similarly, Bill C-31 expands the grounds upon which a court may expunge a trademark registration to include circumstances in which the trademark registration is likely to unreasonably limit the development of an art or an industry.^[9]

Under Bill C-31, as under the current *Act*, a mark that is the subject of an application in Canada will need to be "distinctive".^[10] Under Bill C-31, however, Canadian examiners will be able to object to the registration of a trademark where their preliminary view is that the trademark is not inherently distinctive.^[11] Previously, the scope of the examiners' review included several aspects such as whether there are applications and registrations for confusingly similar marks or whether the mark is clearly descriptive, but they had no general authority to put into question the distinctiveness of the mark.

It is unclear how the above noted changes will impact trademark prosecution in Canada. It is likely that these substantive changes to what constitutes a trademark in Canada could present new and previously unanticipated difficulties for those seeking trademark protection in Canada, particularly when the office is faced with judging confusion in association with new forms of trademarks (e.g. scents, tastes, etc.).

3. Watch Out for Potential "Trademark Trolls"

Prior to Bill C-31, Canadian trademark registrations could only issue if the applicant had

stated that it had "used" the trademark.[12] Applications based on use in Canada had to contain a claimed date of first use,[13] and applications based on proposed use could not proceed to registration until a declaration was provided to indicate that the mark was actually in use in Canada.[14] Under the amendments provided in Bill C-31, these declarative requirements will be removed.[15] While use or an intent to use will still be important, an applicant will be able to file for and obtain a trademark registration in Canada without ever having to explicitly state that the applied for mark has been or will be used.

Under this amended trademark regime, being the first to file an application will be extremely important. Both Canadian and foreign trademark owners who wish to protect their mark(s) in Canada should file trademark applications as soon as possible. As many have speculated, the removal of the "use" requirement could lead to the appearance of "trademark trolls" (e.g., trademark squatters and pirates) in Canada. In other words, applications may be filed where the applicant has no legitimate interest in the mark but is merely trying to gain an advantage, financial or otherwise. Unfortunately, this could put trademark owners in a position of having to take steps (e.g. opposition) to defend or try to reclaim their marks from such "trademark trolls" (see below in item 5).

4. Strategies for Getting the Trademark Application Through to Registration: Filing and Examination

(a) Claiming "Use" When Filing Trademark Applications in Canada

Prior to Bill C-31, it was necessary for Canadian trademark applicants to identify the grounds upon which the applicant should be entitled to a registered trademark in Canada.[16] As noted above, applicants will no longer need to indicate on filing if the mark has been used and when.[17] This will simplify one aspect of the application process by eliminating the need for applicants to search their records for the earliest date(s) of use of their trademarks. Applicants should, however, have record retention policies as evidence of use may be important in asserting prior rights acquired through use (e.g. in opposition proceedings)

(b) Definition of Goods and Services

Prior to Bill C-31, Canadian trademark applications only needed to be described the associated wares and services in "ordinary commercial terms".[18] In order to proceed with a Canadian trademark application post-Bill C-31, it will be necessary to group the goods or services in each trademark application according to the classification system established by the *Nice Agreement*. [19] This change should have less of an impact on international applicants, as many countries are already compliant with *Nice*; Canadian applicants will need to comply with it. While this could significantly complicate the application drafting process, there will more than likely be cost consequences as per-class filing fees are expected similar to those seen in other jurisdictions.

To try to forestall complying with this class system, Canadian trademark applicants should consider filing their applications as soon as possible before the amendments come into force. This may be difficult, though, as there are transitional provisions which may cause any per-class filing fee provisions to apply to such applications.[20]

(c) Distinctiveness

As noted above, Canadian examiners will be able to object to a trademark where their preliminary view is that the trademark is not inherently distinctive.[21] They may require additional evidence that demonstrates distinctiveness.[22] While it is not yet clear under what grounds this non-distinctiveness will be assessed, applicants should consider whether to be more active in their pre-filing due diligence when they conduct registrability

searches and reviews. Depending on the evidence that may be required for a particular mark, the requirement to file evidence of distinctiveness could add to the cost of an application more than typical examiners' objections—which often required legal argument, not evidence—did in the past.

(d) Divisional Applications

The amended *Trademarks Act* will permit applicants to file divisional applications to separate or "carve out" certain goods and services.^[23] Prior to Bill C-31, applicants that encountered objections to specific wares or services, for example, could have the entire application held up until the objections were resolved. After Bill C-31, an applicant will be able to narrow the goods and services listed in the application for a particular mark while preserving, through a divisional application, its right to register that trademark in association with the deleted wares and services.^[24] As a result, the amended regime may permit applicants to file more strategically than before.

5. Strategies for Getting the Trademark Application Through to Registration: Opposition

(a) Grounds of Opposition

The grounds for opposition have been amended to include a lack of trademark use or proposed use in Canada,^[25] as well as lack of entitlement to use the trademark.^[26] It is important to note that even though under the amended *Trademarks Act* it will be possible to register a trademark without indicating whether such a mark has been used, "use" is still a relevant concept because it is the basis of trademark rights.^[27] The entitlement to use a trademark will still, under the amended *Act*, be grounded in the priority of such use.

During the transitional period, these new grounds of opposition may or may not apply to applications that were already pending, depending on whether the application will have been advertised as of the date the Bill comes into force. Applications which are pending but which have not yet been advertised, as of the coming-into-force date, will be subject to the new grounds of opposition.^[28] For pending applications which will have been advertised at the coming-into-force date, Bill C-31 provides that the substantive law under the previous version of the *Trademarks Act* will apply. ^[29] The provisions of the amended *Act* that set out the procedural rules for opposition proceedings will apply to all applications, regardless of whether those applications were previously pending or whether they had already been advertised.

(b) To Oppose or Not to Oppose

Since applicants will no longer have to identify a specific filing basis, or indicate a date of first use (if any), decisions on whether or not to oppose registration may require substantive investigations by opponents to determine who has priority (e.g. who has the earlier date of use). While an application can be opposed on the basis that there was use of a confusingly similar mark in Canada before the applicant, it may not be a simple matter to ascertain whether there was such prior use. Determining who has the earlier date of use will likely require, therefore, additional investigation and the exchange of evidence in an opposition proceeding. It may be more difficult for opponents to realistically evaluate, prior to receiving this evidence, whether they should oppose an application. This uncertainty could then lead to either a failure to act when appropriate or acting when inappropriate. Many Canadian practitioners have speculated that given this uncertainty, trademark owners may decide to oppose first and ask questions later ^[30].

(c) No Declaration of Use and Registration Fee

Registrations will be granted upon the expiry of the opposition period. No declarations of

use will be required, and no registration fee will be payable.[31] The transitional provisions of Bill C-31 provide that applications that have already been allowed on the date the Bill's provisions come into force will still require the payment of a registration fee.[32] However, no declaration of use for those applications will be required.[33] This will certainly ease the cost and administrative burden associated with the final step in the registration process, assuming that third parties do not needlessly oppose the registration of your mark.

[1] The Economic Action Plan 2014 was tabled on March 28, 2014, which included the omnibus *Budget Implementation Act*, which received royal assent on June 19, 2014. The *Budget Implementation Act* contained significant amendments to many Canadian IP statutes, including the *Trademarks Act*, *Patent Act* and *Industrial Design Act*. Bill C-31, entitled the *Economic Action Plan 2014 Act, No. 1*, provided in Sections 317 to 363 various amendments to the *Trade-marks Act*, R.S.C. 1985, c. T-13, now entitled the *Trademarks Act* and hereinafter referred to as the "*Trademarks Act*" or the "*Act*".

[2] *Supra*. See also Canada's Economic Action Plan - Intellectual Property Regime and Amendments to the Trade-marks Act: Questions and Answers.

[3] Two treaties govern the system of international registration of marks: the *Madrid Agreement Concerning the International Registration of Marks* and the *Protocol Relating to the Madrid Agreement* (collectively referred to as the "*Madrid Protocol*"). The *Madrid Protocol*, administered by the World Intellectual Property Office ("WIPO") provides for an international trademark filing system.

[4] See Bill C-31, s. 358.

[5] *Madrid Protocol*, Art. 6(3)

[6] Bill C-31, subs. 319(4).

[7] See s. 2, definition of "distinguishing guise" in the *Trademarks Act*.

[8] Bill C-31, subs. 326(4).

[9] Bill C-31, s. 331.

[10] Bill C-31, s. 339 and subs. 342(2). While this requirement arguably exists under the current *Act*, this amendment would provide Canadian trademark examiners with the jurisdiction to object to an applied for mark on the basis that it does not have a distinctive character.

[11] Bill C-31, subs. 342(2).

[12] See, for example, subs. 30(d) of the *Trademarks Act*.

[13] See, for example, subs. 30(b) of the *Trademarks Act*.

[14] Subs. 40(2) of the *Trademarks Act*.

[15] Bill C-31, ss. 339 and 345.

[16] See s. 30 of the *Trademarks Act*.

[17] Bill C-31, s. 339.

[18] Subs. 30(a) of the *Trademarks Act*.

[19] *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks*. The *Nice Agreement* establishes a classification of goods and services for the purposes of registering trademarks and service marks (the *Nice Classification*). Also see Bill C-31, s. 339.

[20] Bill C-31, s. 359.

[21] Bill C-31, s. 339.

[22] *Supra*.

[23] Bill C-31, s. 344.

[24] Bill C-31, s. 344.

[25] Bill C-31, subs. 343(2).

[26] Bill C-31, subs. 343(2).

[27] Indeed, see the definition of "trademark" in the amended *Act*, Bill C-31, subs. 1(4): "trademark' means (a) a sign or combination of signs that is **used or proposed to be used** by a person for the purpose of distinguishing or so as to distinguish their goods or services from those of others [...]."

[28] Bill C-31, s. 359.

[29] Bill C-31, s. 359.

[30] However, other concerns may come into play, such as the possibility that filing an opposition could be seen as admitting that there is confusion between the applied-for mark and the opponent's mark. This admission could later be used by the (former) applicant in a separate passing off claim against the (former) opponent.

[31] Bill C-31, s. 345.

[32] Bill C-31, s. 359.

[33] *Supra*.