

Dramatic Changes Ahead for the Trade-Marks Act

The Government of Canada has been moving swiftly to make substantial changes to Canada's arcane trade-marks regime. In March 2014, Bill C-31, *The Economic Action Plan, No. 1* (the "Amending Legislation"), was introduced to implement the Madrid Protocol and other intellectual property treaties in an attempt to align Canada's trade-marks regime with international standards and to streamline procedures. In June 2014, after only a brief review of the provisions, the Amending Legislation received Royal Assent. Division 25 of the Amending Legislation contains the most significant amendments to Canada's trade-marks legislation in 50 years. The Amending Legislation is expected to come into force in late 2015 or early 2016.

If you own a trade-mark or use an unregistered trade-mark in your business, here are a few things you should know about the upcoming changes to the *Trade-marks Act*.

1. The Madrid Protocol

One of the most significant changes for business owners will be the implementation of what is commonly referred to as the "Madrid Protocol". The Madrid Protocol is a centralized and cost-effective system that allows trade-mark owners to register their trade-marks in multiple jurisdictions around the world. More than 90 member countries subscribe to the Madrid Protocol. Once Canada becomes a member, Canadian trade-mark applicants and registrants will have the right to file an international application in any one or more of the member countries and foreign trade-mark owners will be able to choose Canada as a country in which they would like to obtain trade-mark protection.

For years, Canada has been the only developed country that has not adopted the Madrid Protocol. The process for filing international applications under the current trade-marks regime is cumbersome and expensive. The Madrid Protocol will make it easier for trade-mark owners to keep track of their trade-marks portfolios instead of having to keep track of a trade-mark portfolio made up of independent national registrations. The registration fees will be lower too because there will be one set of application fees and one set of renewal fees.

Unfortunately, there are some downsides to the Madrid Protocol. For the first five years of its registration, the

international registration will be completely dependent upon the Canadian trade-mark application or registration. As a result, any refusal, withdrawal or cancellation of the basic application or registration within 5 years of registration will lead to the refusal, withdrawal or cancellation of the international registration to the same extent.

2. The Nice Classification System

The Nice Classification System is an international classification used to classify goods and services for the purposes of the registration of trade-marks. It is meant to streamline and create uniformity in the drafting of trade-mark applications through the use of a single classification system for goods and services to be used in all countries that have adopted the classification. The classification system consists of 34 classes of goods and 11 classes of services.

Once the Amending Legislation comes into force, goods and services will have to be grouped and classified in accordance with the Nice Classification and the Registrar of Trade-marks will have the final say. As under the current trade-marks regime, applicants will continue to be required to identify goods and services in "ordinary commercial terms".

At the present time, it is possible for a trade-mark owner to pay one filing fee and obtain a registration for a lengthy list of wares and services covering many classes of the Nice Classification system. Although the filing fees to be

charged by the Canadian Intellectual Property Office have not been finalized, it is expected that the Canadian government will likely follow the practice in other countries of charging a separate filing fee for each class of goods or services included in an application or registration. If that is the case, this change will result in an increase in the filing and renewal fees for applications or registrations with multiple classes of wares or services.

3. Registration without Use

Under the existing trade-marks regime, a trade-mark must be in “use” in order for it to be registered. Specifically, an application must identify one or more filing grounds, including: (1) actual use in Canada; (2) proposed use in Canada, which requires an applicant to declare that a trade-mark is being used before it can be registered; or (3) use in another country accompanied by an application or registration issued in a country of the Union (a “Country of the Union”), which is a country that is a member of the Paris Convention or a member of the World Trade Organization.

The changes introduced by the Amending Legislation are two-fold: first, an applicant will no longer be required to identify a filing ground or a specific date of first use of a trade-mark in Canada (or in any country) prior to registration and second, the requirement to file a declaration that a trade-mark has been used in Canada as a precondition to registration will also be eliminated. Basically, once the Amending Legislation comes into force, any applicant will be entitled to register a Canadian trade-mark without ever stating that it intends to use or has used the trade-mark in Canada. Once the time for filing a statement of opposition has expired or, in the case of a trade-mark that has been opposed, if the opposition has been decided in favour of the applicant, a trade-mark will be registered. The requirement to file a declaration of use and to pay a registration fee will also be eliminated.

The government has indicated that “use” will continue to be the guiding principle for the acquisition, maintenance and enforcement of trade-mark rights in Canada. So, while “use” may no longer be important at the time that a trade-mark application is filed and subsequently registered, the

concept of use will remain important in determining entitlement rights. For example, if a trade-mark application is opposed, the outcome will be determined according to first use principles. Still, issues remain and trade-mark professionals are concerned about this fundamental change to the existing trade-marks regime. Going back to the example of a trade-mark opposition, not every trade-mark application is opposed. Further, even if there is an increase in the number of trade-mark oppositions as a consequence of this change, how does an opponent go about proving that an applicant did not have an intention to use a trade-mark at the time that the application was filed? Some of the other concerns that have been raised regarding the elimination of “use” include:

- (a) the crowding of the trade-marks register with registrations that are not supported by use;
- (b) the elimination of the use requirement combined with the expected influx of international trade-mark filings in Canada will likely lead to an increase in the number of contentious proceedings among trade-mark owners;
- (c) marketplace research will have to be more exhaustive when selecting a trade name or a trade-mark as the trade-marks register will no longer be a reliable source for determining whether a trade-mark is in use. This will increase costs, complexity and uncertainty for business and trade-mark owners;
- (d) potential opponents will have to conduct investigations to decide whether they can confirm priority and entitlement before commencing a trade-mark opposition;
- (e) it is likely that many applicants will include in their applications goods and services beyond those actually used or provided by the applicant; and
- (f) it will become easier for any person to register a trade-mark because they do not have to use the trade-mark before applying for registration. There is a threat that the elimination of the use requirement will create “trade-mark squatters” who will register trade-marks for the sole purpose of selling them to an interested party at an inflated price.

4. Lack of Distinctiveness

Under the Amending Legislation, a lack of distinctiveness has been added as a ground for refusing a trade-mark application. That means that a trade-marks examiner could refuse an application on the ground that the trade-mark specified in the application is not distinctive. In addition, a trade-marks examiner will have the power to require that the applicant file evidence to establish the distinctiveness of a trade-mark.

Trade-mark owners who have any doubt as to the distinctiveness of their trade-marks may want to consider applying for such trade-marks now in an effort to avoid objections from the Registrar of Trade-marks based on a lack of distinctiveness. In doing so, a trade-mark owner may be able to register a trade-mark that may not otherwise be registrable under the new trade-mark regime and considerable expense could be saved by not having to provide the Registrar of Trade-marks with evidence of distinctiveness.

5. Priority Claims

Under the existing trade-marks regime, a trade-mark applicant can claim priority in Canada based on an earlier filed application in a Country of the Union which is also the applicant's home country. On the basis of the earlier filed application, a trade-mark owner can obtain the benefit of an entitlement date in Canada based on the filing date of the foreign application. The effect is that an applicant who files a trade-mark application on the basis of a foreign trade-mark application can claim prior rights over an alleged conflicting application even if another trade-mark application for the same or similar goods or services was filed earlier.

As a result of the Amending Legislation, priority claims will no longer be restricted to applications filed in an applicant's home country. Instead, any original application can be relied upon as long as the applicant is a citizen or national of or domiciled in a Country of the Union or has an industrial or commercial establishment in a Country of the Union.

6. Divisional Applications

Pursuant to the Amending Legislation, a trade-mark application can be divided into two or more trade-mark applications. This change will be particularly useful where some of the goods or services raise an issue but the rest of the goods or services do not because it will allow the registration process for the goods or services against which no objections or oppositions have been raised to continue on without delay.

7. Renewal Terms

Under the current trade-marks regime, trade-marks are registered for a period of 15 years. The Amending Legislation will reduce the registration period to 10 years. It is possible under the current trade-marks regime to renew a registration as far in advance of the renewal deadline as the applicant chooses. Unfortunately, the Canadian Intellectual Property Office has already indicated that any renewal fees paid "too far in advance" in an effort to secure a 15-year registration period will only secure a registration period of 10 years if the renewal date is actually after the coming into force of the Amending Legislation. Since the coming into force date of the Amending Legislation is currently unknown, there is some uncertainty with respect to renewal terms and what will be considered to be "too far in advance". Once we know the coming into force date of the Amending Legislation, we will have some clarity with respect to these issues. The reduction of the registration period from 15 years to 10 years will obviously result in increased costs for trade-mark owners as their trade-marks will have to be renewed more frequently to maintain their validity.

8. Change in Terminology

One of the less substantive changes to the *Trade-marks Act* involves the elimination of the hyphen in the term "trade-mark". Pursuant to the Amending Legislation, the spelling of the term "trade-mark" will change to "trademark". As a result of this change in terminology, the long title and short title of the *Trade-marks Act* will be amended.

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9. Conclusions and Recommendations

The Amending Legislation will come into force after the *Trade-marks Regulations* have been revised and relevant information technology systems have been updated. Over the last few months, the Canadian Intellectual Property Office has engaged in consultations regarding the proposed related changes to the *Trade-marks Regulations*. A lot of time and money will need to be invested on staffing and training in order to deal with all of the changes to be implemented. We are moving towards a modern trade-marks regime and some of the changes will likely benefit Canadian business, especially those with cross-border interests, but it will be interesting to see how our already strained intellectual property system handles the changes that lie ahead.

Given the extent of the changes to the *Trade-marks Act*, it is important for trade-mark owners to review their trade-mark portfolios and identify their key trade-marks. Renewal dates should be verified and owners should consult with legal counsel to determine if a renewal should be secured before the Amending Legislation comes into force. Any unregistered trade-marks and new trade-marks should be registered as soon as possible so as to secure prior rights in the trade-mark and to potentially save on filing fees as it is likely that the registration process will become more expensive with the coming into force of the Amending Legislation. Trade-mark owners should consult with legal counsel for tailored advice pertaining to their specific circumstances.

Olivia Gismondi is a member of the Business Law Practice.



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Contact Members of our Business Law Practice

Murray Box mbox@pallettvalo.com
Direct Dial: 905.273.3022 Ext. 240

Joe Conte jconte@pallettvalo.com
Direct Dial: 905.273.3022 Ext. 217

Murray Gottheil gottheil@pallettvalo.com
Direct Dial: 905.273.3022 Ext. 245

David Shlagbaum dshlagbaum@pallettvalo.com
Direct Dial: 905.273.3022 Ext. 264

Andréa Brinston abrinston@pallettvalo.com
Direct Dial: 905.273.3022 Ext. 219

Olivia Gismondi ogismondi@pallettvalo.com
Direct Dial: 905.273.3022 Ext. 209

Bill Kitay bkitay@pallettvalo.com
Direct Dial: 905.273.3022 Ext. 291

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