

## Advantages of Trademark Registration for Your Client's Business

### Trademarks are Valuable Assets

Lawyers and accountants work closely with businesses to advise them on ways to protect and commercialize business assets. Often, trademarks are overlooked as valuable business assets. This is a missed opportunity because there is valuable goodwill and reputation associated with a business' trademarks.

Trademarks include what most people commonly understand trademarks to be, namely distinctive words, tradenames, and logos. However, trademarks also include other alternative marks such as holograms, moving images, modes of packaging, sounds, tastes, smells and more.

A trademark is a source identifier for a business. A trademark distinguishes your client's business, goods and services from the business, goods and services of others in the marketplace.

As explained below, registering a trademark with the Canadian Intellectual Property Office ("CIPO") enables a business to better protect its trademark across Canada and to better commercialize its trademark.

### Unregistered Trademarks

A discussion of registered trademarks requires a brief explanation of unregistered trademarks.

Trademarks may be unregistered or registered in Canada.

An unregistered trademark, as the name suggests, is not registered with CIPO. Unregistered trademark rights are acquired by generating a reputation and goodwill in the mark through using it in the Canadian marketplace.

For example,

- A Middle-eastern restaurant based in Mississauga has been operating for five (5) years under its tradename and has over that time become popular throughout the Peel and Halton regions and western GTA. The owner

of the restaurant *never* filed a trademark application for its tradename but nonetheless has acquired, through use in the marketplace, unregistered trademark rights in its name.

- A Brampton-based business makes and sells its own lines of candies. Each line of candy has its own distinctive brand name. These candies are sold primarily in Southern and Eastern Ontario. The business recently filed Canadian trademark applications for its three (3) best-selling brands of candies. For now, this candy-maker has unregistered trademarks arising from use in the marketplace. Registered trademark rights only crystallize once the pending applications issue to registration.

### Registered Trademarks

In contrast, a registered trademark is registered with CIPO. A Certificate of Registration is issued in which the trademark is registered in association with goods/services set out in the registration.

### Advantages of Obtaining Trademark Registration

There are a number of advantages that crystallize once a trademark is registered. These advantages include, but are not limited to:

- 1) Exclusive trademark rights throughout Canada;
- 2) Greater ability to enforce trademark rights through additional claims of:

- a. trademark infringement; and
  - b. depreciation of goodwill;
- 3) Public notice and deterrence;
  - 4) Facilitating commercialization through licensing;
  - 5) Facilitating extension of trademark protection to foreign markets; and
  - 6) Transferring third party domain names registered in bad faith.

## 1) Exclusive trademark rights throughout Canada

### *Exclusive rights throughout Canada*

A key advantage of a registered trademark is that the owner of the registered trademark acquires enforceable exclusive rights *throughout* Canada – coast to coast to coast – in that trademark in association with the goods/services specified in the registration.

For example, if a third party in Halifax, Winnipeg, or Victoria (or elsewhere in Canada) subsequently uses the same or confusingly similar mark for the same or similar kind of goods/services, the owner has the right to obtain injunctive relief against the third-party infringer and seek other relief in the Courts.

In sharp contrast, if the restaurant owner described in the example above only has an unregistered trademark, then it can only enforce its unregistered trademark within the geographic scope of its reputation, namely Peel and Halton Regions and western GTA.

### *Registration lasts 10 years but can be renewed indefinitely*

A registration lasts for 10 years but it can be renewed for further 10 year periods. Thus, the period of exclusivity can last indefinitely provided it is continually renewed.

### *Apply for Registration even before using the trademark*

An application for trademark registration can be filed even before your client starts using the trademark. In contrast, unregistered trademark rights are acquired only after sufficient goodwill or reputation is earned and associated with the trademark – usually a process of at least a few years.

## 2) Greater ability to enforce registered trademarks

### *Unregistered Trademark – Limited to passing off action only*

To enforce an unregistered trademark, the owner of an unregistered trademark is *limited* to asserting a claim for passing off against a third party that uses a mark that is the same or confusingly similar to the unregistered trademark in

association with the same or similar kind of goods/services. A plaintiff must satisfy the following three elements to succeed in a passing off action:

- (1) the existence of goodwill in the unregistered trademark;
- (2) a deception of the public due to a misrepresentation; and
- (3) actual or potential damages suffered by the plaintiff.

Plaintiffs often fail on the first element given the nature and extent of evidence needed to establish to a Court, that sufficient goodwill exists in the unregistered trademark to support a claim for passing off.

### *Registered Trademarks – Passing off, trademark infringement, depreciation of goodwill*

In contrast, the owner of a registered trademark has multiple possible claims for violation of its trademark rights. The owner can assert passing off, but also can assert **trademark infringement** and **depreciation of goodwill** associated with the trademark. Claims of trademark infringement and depreciation of goodwill are only available for *registered* trademarks.

For trademark infringement, the plaintiff must establish that the infringer is using a mark that is the same or confusingly similar to the registered trademark in relation to the goods/services specified in the trademark registration. In an infringement action, the registered trademark is presumed to be valid, and the plaintiff is not faced with the evidentiary and legal burden of establishing the existence of goodwill or reputation in the trademark as with a passing off action.

The difficult burden and expense of preparing and filing voluminous evidence to establish sufficient existence of goodwill/reputation in a passing off action is avoided in an infringement action. Consequently, infringement actions are often easier and cheaper to bring than passing off actions.

For depreciation of goodwill, the plaintiff must establish that (i) the infringer was using the registered trademark (or sufficiently similar mark), (ii) the registered trademark has sufficient goodwill attached to it, (iii) there is a linkage or mental association in the minds of consumers between the infringer's mark and the registered trademark, and (iv) the infringer's use of its mark has the likely effect of depreciating the value of goodwill attaching the registered trademark.

Confusion is *not* a relevant factor for a depreciation of goodwill claim, unlike passing off and trademark infringement. Depreciation of goodwill is a useful claim when claims for trademark infringement or passing off are

problematic. This claim is useful in comparative advertising situations, where the infringer's use of the plaintiff's mark tarnishes or reduces the value of the goodwill in the plaintiff's registered trademark.

In summary, while owners of unregistered and registered trademark both can assert passing off against an infringer, only the registered trademark provides the additional causes of action of trademark infringement and depreciation of goodwill.

### 3) Public notice and deterrence

There is public notice given for registered trademarks (and trademark applications) and this notice may act as a deterrent to other parties who are considering applying for or adopting a trademark that is the same or similar to your client's existing registered trademark.

The Canadian Trademarks Registry is a public registry that lists all trademarks that have been applied for, and that have been registered in Canada. Any third party can view the particulars of the trademark application/registration on CIPO's Trademark Database <<https://www.ic.gc.ca/app/opic-cipo/trdmrks/srch/home>>.

Such public notice of your client's trademark application/registration may deter third parties from using or filing their own application for the same or similar trademark.

In contrast, unregistered trademarks (for which no trademark application was previously filed) are not listed on CIPO's Trademark Database. Thus, there is no public notice to third parties of such unregistered trademarks.

*Demand Letters – Likely greater deterrence with registered trademarks*

From an enforcement perspective, a trademark registration has gravitas and generally is viewed by businesses as having more creditability than an unregistered trademark.

A Certificate of Registration is issued by the Canadian federal government. It carries a presumption recognized by our Courts that the subject registered trademark is valid and is owned by the party identified in the registration.

Accordingly, if your client sends out a demand letter alleging violation of its *registered trademark* against an alleged infringing third party, this tends to be viewed as having greater weight by businesses than an unregistered trademark. The federal recognition and presumptions of validity and ownership associated with a registered trademark (but *not* with an unregistered trademark) may be enough to persuade the recipient of a demand letter to adopt a different non-

confusing mark prior to engaging in costly litigation.

### 4) Commercialization through licensing

Both unregistered and registered trademarks may be licensed. However, licensing a registered trademark has more value to a licensee given the additional benefits that flow from registration, including but not limited to nationwide exclusivity and enhanced enforcement capability. This may translate into greater licensing fees than compared with licensing an unregistered trademark.

Licensing allows a trademark owner to expand its business operations under the trademark brand (e.g., franchising) and can be a source of revenue through licensing fees.

The ability for the licensor to have control over the character or quality of the goods/services associated with the mark, is a critical feature of any trademark licence under Canadian law. *If there is no such control, then the licence may be at risk of being void and the registered trademark (or unregistered trademark) cancelled for non-distinctiveness.*

### 5) Facilitating extension of trademark protection to foreign markets

Filing an application for trademark registration in Canada can be leveraged to extend the owner's trademark rights in other countries. By means of certain international treaties,

- a) Direct filing: an owner of a trademark application in Canada can extend its trademark rights into other member countries (all of Canada's major trading partners, including the USA) by directly filing a corresponding foreign application in a foreign member country within six (6) months of the Canadian application. By doing so, the owner has priority over other applications for the same or potentially similar marks filed in that foreign country during the above-mentioned six (6) month period; and
- b) Indirect Filing through WIPO: a Canadian trademark application or registration, may be used as a base application/registration in support of an application for International Trademark Registration that is administered by the World Intellectual Property Office (WIPO). An International Trademark Registration is comprised of a bundle of trademark registrations that are issued (if appropriate to do so) by those member countries designated by the Canadian trademark owner in the initial application for International Trademark Registration.

## 6) Transferring third party domain names registered in bad faith

If a third party registers a domain name that incorporates a trademark (or a confusingly similar mark) and such registration is abusive in that the third party registers the domain name in bad faith and without a legitimate interest in the domain name, then the owner of the trademark may bring a mandatory arbitration proceeding to have the impugned domain name transferred to the trademark owner.

Such proceedings against abusive registration of domain names may be brought through the Domain Name Resolution Policy (“UDRP”) or the Canadian Internet Registration Authority’s Domain Name Dispute Resolution Policy (“CDRP”). UDRP applies to .com, .net, .org and other generic top-level domains (e.g. .biz, .info, .pro, etc.). CDRP applies to .ca domains.

UDRP and CDRP proceedings are appropriate for cases of bad faith registration such as “cybersquatting” (i.e., registering and passively holding domain names with the aim of selling them later for profit) or intentional disruption of the complainant’s/trademark owner’s business. In contrast,

the courts are appropriate forums for remedying trademark infringement, passing off or depreciation of goodwill.

In both UDRP and CDRP proceedings, a complainant needs to prove, among other things, that it has rights subsisting in the trademark being asserted. Typically, a trademark registration is sufficient evidence of trademark rights. In contrast, a complainant asserting unregistered trademark rights needs to adduce satisfactory evidence of acquired goodwill in its trademark.

Under the CDRP, there are Canadian presence requirements for a foreign entity to avail itself of the CDRP. A foreign entity that does not meet the Canadian presence requirements, may still utilize the CDRP but only if it owns a registered Canadian trademark.

## Conclusion

Trademarks are valuable business assets that should be protected and commercialized. For the reasons stated above, it makes sound business sense to obtain trademark registration for at least the key trademarks of a business.



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## Intellectual Property Law at Pallett Valo

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Our lawyers represent a wide spectrum of clients in different industries, ranging from individuals, small and medium-sized business, to large multi-national corporations, and providing strategic legal advice on both contentious and non-contentious issues.

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