

**Submissions on Bill C-31,
The Economic Action Plan 2014, Part 1, Division 25,
Amendments Relating to the International Treaties on Trademarks**

To: Christine Lafrance, Clerk of the Committee
The Honorable Joe Oliver, Minister of Finance
The Honorable James Moore, Minister of Industry

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Submissions on Bill C-31, the *Economic Action Plan 2014, Part 1, Division 25, Amendments Relating to the International Treaties on Trademarks*

Introduction

Thank you for permitting me to submit this brief regarding the above amendments (“Bill C-31” or “the Bill”). Bill C-31 proposes the most significant amendments to Canadian trademark law in more than 60 years, if not since the first federal trademark law, and will have a dramatic impact on the protection and enforcement of trademarks, trade names and business names in Canada. This submission outlines practical issues expected to add costs, uncertainty, inconvenience and confusion for Canadian consumers and businesses including small and medium enterprises (“SMEs”), and encourage trademark trolls. These are real, and not hypothetical issues. In brief, Bill C-31 will:

- crowd the Trademarks Register, making selection of new marks and names more difficult and costly;
- erode the usefulness of the Trademarks Register as a search tool;
- add costs and uncertainty when evaluating marks registered based on a proposed use claim;
- create difficulty in business evaluation; and
- encourage trademark trolls and pirates.

The context of the Bill’s trademark amendments is to prepare Canada for adherence to 3 international treaties, known as the Madrid Protocol, the Nice Agreement and the Singapore Treaty (collectively, “the Treaties”). Implementation of the Treaties will permit Canadian businesses to access an international trademark filing system, and permit foreign trademark owners to file in Canada by going through an international bureau. Both features may offer some cost savings in certain circumstances, and may encourage more companies, including Canadian SMEs, to file abroad, as well as allow more international entities to file in Canada. Some changes to Canadian law will be required to implement the Treaties, but the comments in this submission are *not* directed to the Treaties.

Instead, my comments are directed to the troublesome and unnecessary proposal to eliminate “use” as a registration requirement; this will in the short run create much confusion and uncertainty, and in the long run result in higher costs to clear and secure new business names and trademarks and threatens to erode the usefulness of the Trademark Register. While the current *Trademarks Act* limits overreaching (claiming protection far beyond any real business activity) by making use a registration prerequisite, eliminating use will most certainly result in registration of trademarks for goods and services far beyond many enterprises’ real interest and will shift to business the onus and costs of policing the Register for overreaching. This does not benefit Canadian businesses, and the proposal to eliminate “use” as a registration requirement is *not* required to implement the Treaties.

Background

I am the head of the Trademarks Group at Bereskin & Parr, one of Canada's largest intellectual property firms, founded in 1965, with offices in Ontario and Quebec. I have been practicing trademark law for more than 30 years, during which I have been the President of the Intellectual Property Institute of Canada, a director of the International Trademark Association, and a member of trademark and other intellectual property organizations that have studied the impact of Canadian and international trademark laws. I have been recognized for my expertise by many organizations, and this year was named international "Trademark Lawyer of the Year" by Who's Who Legal.

Our firm is privileged to represent trademark owners across Canada, from individually owned businesses to some of Canada's most successful international businesses. We also act for multinational companies including some of the biggest trademark owners in Canada. We assist clients with the selection, registration and enforcement of their marks, and are involved in trademark searching, oppositions and cancellation proceedings, litigation and other administrative proceedings.

Trademarks are important assets

Trademarks and trade names are key to identifying a business and the goods and services it sells. They are used by consumers to choose between many goods and services available in Canada and abroad. The current *Trade-marks Act* is, in many ways, consumer protection legislation.

Companies view their trademarks and trade names as amongst the most important, if not *the* most important assets they own, as a company's goodwill resides in its trademarks. Many trademarks are worth millions of dollars, and more. From the smallest to the biggest companies, ensuring that those marks and names are available for use, capable of being registered and enforceable against others is critical.

Current legal framework for protection of trademarks

For more than a century and a half, trademark rights in Canada have been acquired by use, and recognized by registration, the rules for which are set out in the current *Trade-marks Act*. The Bill proposes to turn that system on its head, and permit registration without use. The full impact of this change has not been publically studied, but there are numerous adverse implications that can already be seen, and there is a real risk of a constitutional challenge to the *Trademarks Act*.

How trademark registrations are acquired

Currently, an application is filed on one of several grounds, usually use in Canada, with a named date of first use, proposed use in Canada, and/or, for non-Canadian applicants, use and an application/registration abroad. The application is examined by the Trademarks Office, and if approved, is advertised for opposition. An application can be opposed on grounds relating to prior use or registration of another confusing mark or name, or the inherent characteristics of the mark, or the accuracy of the filing grounds. If unopposed, or once any opposition is resolved, the application is allowed. At that time, any applicant who filed based on proposed use must file a declaration of use in Canada, identifying the specific goods and services for which the trademark has been used, and all applicants must pay a registration fee. Two useful things happen at this stage: applicants who have lost interest may abandon their applications, and applicants who

filed based on proposed use must restrict their rights to only the goods and services used in Canada, and named in the declaration of use. As a result, in Canada, registrations are only granted for goods and services actually in use somewhere. This prevents overreaching.

Registration gives statutory benefits that the Bill does not change – in fact, they are amplified. Some of the benefits include:

- a registrant has the exclusive right to use its mark across Canada for all registered goods and services;
- any use of a confusingly similar mark is deemed to infringe those rights;
- any trademark that is confusing with a registered trademark is unregistrable;
- use of a registered mark by others may depreciate the owner's goodwill, and be actionable;
- the Bill, and Bill C-8, the *Combatting Counterfeit Products Act* still before Parliament, give registrants the right to access Customs assistance to prevent counterfeiting and add new criminal sanctions for infringing activity;
- a registration can be renewed, without any evidence of use anywhere;
- a registration is deemed valid, until proven otherwise; and
- in any challenge against a registrant, the challenger has the onus of proving the registration to be invalid.

Because of these significant statutory advantages, which translate to genuine practical advantages in the marketplace, it is only fair that some limits be placed on registrants. Requiring use is a key one.

Changes in Bill C-31

The Bill would permit applicants with only a proposed use claim to register, with no use ever being asserted, in Canada or elsewhere. It also permits an applicant with use to register, but does not require a date of first use. The impact of these changes will be felt by all businesses, and will have significant costs to Canadian businesses, especially SMEs. Some of the immediately obvious consequences are the following:

(i) The Register of Trademarks will become crowded, making selection of new trademarks and business names marks more difficult and costly.

Removing "use" as a requirement for registration will result in more registrations for longer lists of goods and services, with no deterrent to overreaching. Companies may decide to secure defensive registrations for virtually all goods and services, in an effort to secure rights far beyond their business activity. Finding a new mark and name that is risk-free will become, in time, much more difficult.

(ii) The Register will become a much less useful tool for assessing availability and risks, forcing businesses to spend more time and money in marketplace investigations and assume more risks.

Most businesses now use the Register as the primary tool to assess availability and the risks associated with any new mark or name. Once the Register includes registrations based on no use, at all, evaluating risks posed by those registrations will become more costly, create a need for more detailed investigations, and will leave more uncertainty

and risk about the implications of such non-used registered marks. This will have an impact on all Canadian businesses, small and large.

(iii) Added costs and uncertainty related to the meaning of “proposed use”.

While the Bill will permit an application to be opposed based on lack of proposed use, it will take years to develop a body of jurisprudence that will clarify what that actually means and whether it will be an effective deterrent to overreaching. Further, it will be very difficult to predict the likelihood of successfully opposing an application based on proposed use – only the applicant will know if its proposed use claim is valid, and challenging that will be both expensive and uncertain, thus deterring oppositions.

(iv) Determining priority between potential applicants will require more costly investigations.

While the Bill continues the current system of assessment of rights based on the earliest of use in Canada or filing dates, applicants will no longer be required to indicate their date of first use. Leaving it to other parties to guess this information by investigation will add costs and complexity to decision-making and risk assessment.

(v) Businesses will pay for the costs of ridding the Register of more non-used marks.

Registrations can be cancelled for non-use, or expunged. In both cases, most or all of the cost is borne by the party seeking to get a mark removed from the Register. The easiest way, a non-use proceeding, has important limitations, namely:

- they cannot be started until the third anniversary of registration. Until then, the registrant gets all statutory advantages of registration, and the registration poses risk and uncertainty to other parties;
- since the Bill permits registration without use, a registrant can always refile to avoid having its registration cancelled; and
- it usually takes several years to get a decision in a non-use proceeding.

Costs of Federal Court expungement proceedings are even higher than non-use proceedings, and the results of litigation are never certain. Canadian businesses searching for a new mark will probably not want to incur costs and uncertainty of expensive non-use proceedings, and will move on to another mark, or decide not to bother with registration at all. It is unjust to require business to take these steps, when overreaching could be easily prevented by a use requirement before registration.

(vi) Business valuation will be more difficult with registrations based merely on proposed use.

As noted above, trademarks and goodwill are often the most valuable assets a business owns. Accountants include trademarks on balance sheets, and investors and lenders rely on these valuations. However when a registration is based merely on proposed use, and has no goodwill (which cannot be created without use), valuation of registrations will become meaningless, or worse, will create a false and misleading impression of the business' assets.

(vii) Registration without use may lead to trademark trolls, bullies and pirates.

Permitting registrations without use presents opportunities for trademark pirates or trolls to register marks not for genuine use, but to trade. Two analogous situations illustrate the potential for abuse, namely the registration of domain names to trade, not use, and

the acquisition of patent rights by companies who use the registered rights as a threat, or to trade for profit. The latter have been called patent trolls – and trademark trolls do the same thing. The Bill makes getting a trademark registration and all the rights that go along with it easy, which will play into the hands of unscrupulous businesses. While some registrations might ultimately be found to be invalid, there may be lots of companies who would rather “pay off” a registrant than litigate - precisely the situation that benefits trolls, and frustrates honest businesses.

Conclusion

For all of the above reasons, the elimination of use as a requirement for registration as proposed in the Bill will have adverse cost and risk implications for Canadian businesses that are not connected to accession or implementation of the Treaties. Further, while the Treaties may offer benefits for some companies with international goals, the risks, uncertainty and costs created by registrations for trademarks that are not in use will be felt by all Canadian businesses. The Bill shifts to businesses the job of making sure that the Trademarks Register reflects real use, and not merely intentions. Many businesses cannot afford the cost of opposing applications or cancelling registrations to pave the way for use of a new mark or name, and will simply “give up”, and take their chances on use without registration, which is contrary to encouraging more Canadian businesses to protect their marks, a stated goal of Bill C-31.

Both Bill C-8 and Bill C-31 offer worthy suggestions to improve Canadian trademark law. Removing use as a requirement for registration is not one of them. Keeping use as a prerequisite, as recognized in legislation and case law in Canada for more than 150 years, and the certainty and predictability that comes from a use-based system, is more important than speeding up registration and opening the door for easier rights, particularly when such rights are based merely on a proposal, as opposed to a genuine claim of use.

Maintaining use as the basis for Canadian trademark rights can be accomplished in ways that are fully compliant with the Treaties. Restricting registrations to goods and services used in Canada or abroad is permissible under the Treaties. Requiring registrants to submit evidence of use in Canada after registration, and before renewal will help the Register to reflect real business use. All of these deserve detailed study and consultation by all users of the trademark system, steps that were not taken before Bill C-31 was introduced.

I would be pleased to appear before the Committee to answer any questions.

Yours truly,



Cynthia Rowden