

A MODERNIZED TRADEMARK REGIME FOR CANADA: A REVIEW OF THE NEW TRADEMARK ACT AND REGULATIONS

In 1954 Canada brought into force the current *Trademarks Act* that broke with many of Canada's longstanding traditions concerning the registration of trademarks. One of the more controversial changes was the acceptance of applications based on proposed use! After more than 60 years of loyal service to Canadians the venerable '54 Act is about to be retired and replaced with an Act that will again shake up the trademark community.

After years of extensive consultations with industry, trademark owners and trademark practitioners, a new *Trademarks Act* was adopted in 2014 thereby completing the first stage of modernizing the Canadian trademark system.

Stage two of this process was completed earlier this year with the release of a draft of a new *Trademarks Regulations*. The goal is to complete final revisions this summer and have a final version ready for adoption in the fall of 2018.

The final stage of this transition will be an upgrade of the Trademarks Office IT system which is required to handle the very significant changes that the modernized trademark system will introduce. CIPO has recently made it known that the new *Act* and *Regulations* are to be implemented in early 2019 however, the specific date will remain a mystery until CIPO completes the update of the IT System.

In addition to the implementation of a new *Trademarks Act* and Regulations, Canada will implement the Madrid Protocol, adopt the NICE Classification System and adhere to the Singapore Treaty.

The following is a very brief discussion of how these changes may impact your dealings with the Canadian Trademark Office (CIPO).

What is a Trademark?

The new *Act* has introduced an augmented definition of a trademark to include "signs". An ambiguous term that was deliberately adopted to create a more inclusive definition for a trademark.

The definition of a trademark in the current *Trademarks Act* is noted below.

- (a) *a mark that is used by a person for the purpose of distinguishing or so as to distinguish goods or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others;*
- (b) *a certification mark;*
- (c) *a distinguishing guise; or*
- (d) *a proposed trademark.*

The new *Trademarks Act* replaces the above definition with the following definition.

- (a) *a sign or combination of signs that is used by a person for the purpose of distinguishing or so as to distinguish their goods or services from the goods of others;*
- (b) *a proposed trademark; or*
- (c) *a certification mark;*

This definition creates a very open-ended definition that is meant to be all-inclusive thereby permitting the consideration of non-traditional trademarks such as sound, colour or taste for example, as potentially registrable subject matter.

It will be noted that reference to distinguishing guises has been omitted. This type of trademark is now captured under the broader definition provided by the word “sign”.

The challenge of working with the new definition will be the continual evolution of what is deemed suitable for registration by the Trademarks Office. The fluid nature of the definition will result in a noticeable degree of uncertainty when advising a client on what is potentially registrable subject matter. However, the real challenge associated with this definition will be to convince the Trademarks Office to accept the unexpected!

The IT System will have to accommodate many changes including the creation of a searchable database that can manage non-traditional trademarks such those based on sound, taste, smell, touch and combinations of these features with more traditional trademarks.

The requirement for use has been eliminated

Prior to 1954 Canada’s common law roots were clearly reflected in the *Trademarks Act* that required a trademark to be used before an application could be filed. The 1954 *Trademarks Act* broke from that tradition by allowing the filing of an application based on proposed use, however, use of the trademark was maintained as a requirement before registration would be granted.

The new *Trademarks Act* has changed the ground rules by eliminating use as a prerequisite for registration for certain types of trademarks. This change has the potential to streamline the registration process in several ways.

It will no longer be necessary for an applicant to search its records to provide an accurate date of first use of the trademark in Canada.

In addition, not having to name a date of first use will eliminate a potential ground for challenging an application or registration on the basis that the date of first use is incorrect.

There will be a potential reduction of costs since an applicant will no longer have to obtain extensions of time to file a Declaration of Use.

There is an additional potential savings for non-resident applicants since there will no longer be an advantage to claim a home country registration as a basis for registration and thus, filing a certified copy will not be necessary.

There are also potential negative consequences stemming from these changes.

Oppositions will be more complicated as it will be necessary to challenge the published applications on multiple grounds covering both potential prior use and potential non-use.

The elimination of use as a requirement for registration may increase costs in several ways. The elimination of use will result in an increase in the number of trademarks listed in the database. This may result in an increase cost for a search of the CIPO database.

As the number of unused registered trademarks increase, it may become necessary for an applicant to undertake expensive non-use cancellation actions to remove a conflicting registered trademark.

Trademark owners need to be reminded that a newly registered trademark is shielded from a non-use cancellation inquiry for a period 3-years from the date of registration. Therefore, it is essential that a trademark owner make every effort to commence use of a registered trademark within the first 3 years after registration.

A glaring omission in the new *Act* is a post-registration requirement to file evidence of use. This simple requirement would have helped control the number of deadwood registrations from cluttering the Register.

Changes to Examination Protocols

Section 12 of the new *Trademarks Act* maintains all of the previous requirements but has added the following new requirement for determining the inherent registrability of a trademark.

A trademark is not registrable if, in relation to the goods or services in association with which it is used or proposed to be used, its features are dictated primarily by utilitarian function.

It may be possible to overcome this objection if the applicant is able to furnish evidence establishing that the trademark or sign had acquired distinctiveness prior to the date the application was filed.

Further Evidence in Certain Cases

The real change to the examination of a trademark is found in the revised wording of s.32 which, under the current *Act*, deals with the filing of evidence of use as a means of overcoming a refusal under s.12.

The new *Act* amends this section and effectively alters the scope of the examination of a trademark to include distinctiveness. This is a significant departure from the existing examination criteria which precludes a word from registrations if it is (i) primarily merely a name or a surname; (ii) whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive of the character or quality of the goods or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin; or (iii) the name in any language of any of the goods or services. There are other criteria, but these are the most significant when considering the inherent registrability of a trademark.

This amendment to s.32 which is provided hereinafter, will very likely have the greatest impact on the examination of trademarks under the new Act.

32. (1) An applicant shall furnish the Registrar with any evidence that the Registrar may require establishing *that the trademark is distinctive at the filing date of the application* for its registration if any of the following apply:

- (a) the applicant claims that their trademark is registrable under subsection 12(3);*
- (b) the Registrar's preliminary view is that the trademark is not inherently distinctive;*
- (c) the trademark consists exclusively of a single colour or of a combination of colours without delineated contours;*
- (d) the trademark consists exclusively or primarily of one or more of the following signs:
 - (i) the three-dimensional shape of any of the goods specified in the application, or of an integral part or the packaging of any of those goods,*
 - (ii) a mode of packaging goods,*
 - (iii) a sound,*
 - (iv) a scent,*
 - (v) a taste,*
 - (vi) a texture,*
 - (vii) any other prescribed sign.**

Although the claim is that the new *Trademarks Act* embraces non-traditional marks, this section of the *Act* potentially imposes a more stringent set of registrability hurdles for non-traditional trademarks that are not applied to the examination of traditional trademarks.

Permitted Division of an Application

The new *Trademarks Act* will permit an applicant to divide its application so long as the scope of the goods and services of the new application are within the scope of the original application.

39. an applicant will be permitted to limit the original application to one or more of the goods or services that were within its scope and file a divisional application for the registration of the same trademark in association with any other goods or services that were:

- (a) within the scope of the original application on its filing date; and
- (b) within the scope of the original application as advertised, if the divisional application is filed on or after the day on which the application is advertised under subsection 37(1);

A divisional application will be awarded the same filing date as the original application however, from that point on it will be treated as a separate application including the payment of filing fees.

Term of Registration

The term of a registration will be reduced from 15 years to 10 years.

Trademark Renewals

There are several changes proposed for the renewal of a registration. The term for the renewal of a registration will be reduced to 10 years. Furthermore, a request to renew a registration will not be accepted prior to 6-months before the renewal date.

Letter of Protest

The Registrar will accept a letter of protest during the examination of an application.

Nice Classification System

Canada will adopt and implement the Nice Classification System simultaneously with the coming into force of the new *Trademarks Act*.

The implementation of NICE will result in a massive undertaking within the Trademarks Office to classify the goods and services of prior registered trademarks. There will most certainly be a cost for this project some which will be trickle back to trademarks owners.

Filing and Registration Fees

There will be a new filing fee of CAD\$330.00 for the first class and CAD\$100.00 for each additional class.

There will not be a registration fee.

Opposition Practice

There will be several changes to Opposition Practices. The following additional grounds of opposition have been added.

Section 38 which lists the grounds on which an application can be opposed has been amended to add the following grounds.

s.38(2)(e) that, at the filing date of the application in Canada, the applicant was not using and did not propose to use the trademark in Canada in association with the goods and services specified in the application; or

s.38(2)(f) that, at the filing date of the application in Canada, the applicant was not entitled to use the trademark in Canada in association with those goods or services

Furthermore, at the request of the applicant and prior to filing of the counterstatement, the Registrar will now have the authority to strike out any ground of opposition that:

(i) is not based on one of the statutory grounds of opposition; or

(ii) does not describe the ground of opposition in sufficient detail to enable the applicant to reply to it.

The Registrar is authorized to retract a trademark from registration if within 3-months from the date of registration it is discovered that a correctly filed Statement of Opposition was overlooked.

If a cross-examination takes place, the Party that requested the cross-examination is required to file a transcript with the Opposition Board and serve a copy on the other Party. The Party that was cross-examined must submit to the Opposition Board and serve the other Party with the materials that they undertook to provide.

The Registrar will issue a Notice to each Party that it may file written submissions with the Registrar and serve a copy on the other Party.

Madrid Protocol

Canada will become a party to *Madrid Agreement Concerning the International Registration of Marks* commonly referred to as the *Madrid Protocol*.

In practice, the Madrid Protocol will permit a Canadian trademark owner to request the registration of its trademark in any of the member countries. All maintenance functions such as change of address, change of ownership and renewal can be managed using this system. All of the foregoing is accomplished through the Canadian Trademarks Office.

Likewise, foreign trademark owners will be able to register and maintain their trademark in Canada through their local Trademarks Office.

It is anticipated that the number of trademark registrations in Canada will increase as a result of the simplicity and convenience of being able to register through the Madrid system.

Adoption of the Nice Classification System

Section 30(3) of the New Trademarks Act mandates that goods and services be grouped according to the Nice Classification and that the appropriate class number be assigned to the group.

The adoption of the Nice Classification will have a compounding impact on the Canadian Trademarks Register due to the large number of existing registrations wherein the goods and services are not grouped according to Nice classes.

A trademark owner will be required to classify the goods and services at the time a registration is renewed. Another option is for the Registrar to use s.44.1 which states that:

The Registrar may give notice to the registered owner of a trademark requiring the owner to furnish the Registrar, in the prescribed time and manner, with a statement of the goods and services in respect of which the trademark is registered, in which those goods or services are grouped in the manner described in ss 30(3).

There will likely be a degree of confusion within the Trademarks Office until all of the existing trademarks are properly classified having regard to the fact the CIPO has not announced how it will accomplish this goal.

Trademark Trolls Have Arrived in Canada

As a point of clarification, a trademark troll is a person or company who files a trademark application with no intention of using it but rather, intends to extract money from an unsuspecting user or applicant who may adopt the same or very similar to the Troll trademark.

After Canada made it clear that use provisions would be eliminated from the revised *Trademark Act*, proposed use-based application began to appear in the CIPO database each of which cover multiple classes of goods and services. The Trolls are taking advantage of transition from the current *Trademarks Act* to the new *Trademarks Act*. The current Act requires one filing fee of \$250.00 notwithstanding the number of classes of goods or services listed in the application. The new Act eliminates the need for an applicant to use a trademark as a prerequisite for registration. Once the Troll mark is registered, the owner will attempt to extract money from subsequent applicants whose application is blocked by the Troll's registered trademark. Currently there are more than 500 multi-class troll applications of record and it is expected that the number will increase as the timetable for the implementation of the new Act and Regulations draws closer.

There are no specific statutory provisions in the current or the new *Trademarks Act* to deal with this scenario. However, s.45 of the new Act authorizes the Registrar on her/ his initiative to issue a Notice to the owner of a registered trademark requiring the filing of evidence to demonstrate that the subject trademark has been used within the 3-year period immediately preceding the issuance of the Notice.

s.45: After three years beginning on the day on which a trademark is registered, unless the Registrar sees good reasons to the contrary, the Registrar shall, at the written request of any person who pays the prescribed fee, or may, on his own or her own initiative, give notice to the registered owner of the trademark requiring the registered owner to furnish within three months an affidavit or statutory declaration showing, with respect to all of the goods or services specified in the registration or to those that may be specified in the notice, whether the trademark was in use in Canada at any time during the three-year period immediately preceding the date of the notice and if not, the date when it was last so used and the reason for the absence of such use since that date.

s.45(3) provides the Registrar with the authority to expunge a trademark that is not being used, in association with any of the designated goods or services or to amend the registration to limit the goods and services to those that are being used.

Clearly, the Registrar has the authority to challenge a troll trademark once it is registered without having to wait the 3-year period for a more traditional non-use cancellation action but only time will tell if, the Registrar is prepared to take action to control these entities.