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Via email : ised.minister-ministre.isde@canada.ca

The Honourable Navdeep Bains, P.C., M.P.
Minister of Innovation, Science and Economic Development
235 Queen St.
Ottawa, ON K1A 0H5

Dear Minister Bains:

Re: Amendments to “Use” Provisions in the *Trade-marks Act* (Bill C-31, Economic Action Plan 2014 Act, No. 1, Part 6 Division 25)

We write on behalf of the Canadian Bar Association’s Intellectual Property Law Section (the CBA Section) about amendments not yet in force to the “use” provisions of the *Trade-marks Act*. We recommend that they be repealed or not be brought into force pending further consultation.

The CBA is a national association of 36,000 lawyers, Québec notaries, law teachers and students, with a mandate to promote improvements in the law and the administration of justice. The CBA Section deals with law and practice relating to all forms of ownership, licensing, transfer and protection of intellectual property and related property rights, including trade-marks.

The Use Requirement

We are proud to work with a Canadian trade-mark law that is fair, internationally respected, and effective. The requirement that a trade-mark be used before its owner will be granted exclusive rights has been a cornerstone of Canadian trade-mark law since the first statute was enacted in 1868. The prior use requirement has been recognized by the Supreme Court of Canada on numerous occasions. It is consistent with the common law cause of action for passing off that is the predecessor of trade-mark protection and continues to provide parallel protection. In short, the use requirement is a core feature of Canadian trade-mark law.

No Consultation on the Amendments

The Government of Canada has undertaken consultations and discussions about many elements of trade-mark law. Recent examples include international treaty approaches (Madrid Protocol) and statutory initiatives to combat counterfeiting and to modernize the Act (Bill C-8). The CBA Section was pleased to participate in these consultations.

However, there was no public or stakeholder consultation in advance of the introduction of the bill eliminating the use requirement in the *Trade-marks Act*. The changes were announced in an omnibus budget bill (Bill C-31) and passed despite concerns about the long term implications, and costs, raised by many organizations, including the CBA Section.

Effect of the Amendments

The amendments allow an applicant for a trade-mark to obtain a registration without any requirement to declare use of the trade-mark *in Canada or anywhere else*. Affected provisions of the *Trade-marks Act* include:

- section 16, entitlement to registration;
- section 30, contents of an application; and
- section 40, requirement to file a declaration of use.

Officials argued that the amendments were intended to align with the approach of trading partners and create administrative efficiencies. Business and professional organizations believe that existing strengths of the Canadian trade-mark system have been under-valued, and expressed concern that the amendments would create contrary results.

The CBA Section is opposed to the amendments for the reasons described below.

The amendments are not required to fulfill Canada's treaty obligations under the Madrid Protocol or the Singapore Treaty. We note that the US maintained its use prior to registration requirement when acceding to both treaties.

We believe the amendments will increase costs and create uncertainties for businesses seeking trade-mark protection in Canada. For example, the trade-mark register, which currently records use claims, will become cluttered with registrations that no longer reflect marketplace realities. This will happen in two ways: marks that are not in use, and may never be used in Canada, will be easier to register here; and marks will be registered for more goods and services than would be the case if the owner is required to show use before registration. The register is the primary resource to clear new marks and names in advance of registration. If it cannot be relied on to indicate "real" rights, Canadian businesses will be forced to arrange for additional marketplace investigations. This will increase clearance costs for Canadian businesses, and will add complexity and uncertainty in the selection and use of trade-marks and trade names in Canada.

Further, the potential for trade-mark "trolls" will escalate, much in the same way that speculators are able to register domain names for the purpose of trading them to the highest bidder. Trade-mark trolls may employ these new-found rights to force bargaining and thereby increase costs for Canadian companies who are actually using a mark.

The amendments will also increase the cost of administering and decrease the effectiveness of Canada's trade-mark system. Without use claims to keep owners accountable, there will likely be an increase in trade-mark opposition proceedings. Approximately 50,000 applications are now filed in Canada annually. The evidence suggests that the opposition rate in Canada is low – around 3%. Officials in the Trade-marks Office indicate that the current opposition rate might double under the system proposed in Bill C-31, which has some similarities to the European Union (EU) registration system. However, recent data from the Office of Harmonization of the Internal Market (OHIM), which manages EU trademarks, indicates an opposition rate of 12%.¹ It bears noting that

¹ [Annual Report 2014](#), Office for Harmonization of the Internal Markets (Trade Marks and Designs)

oppositions are expensive and time-consuming for both applicants and opponents, and also use considerable resources of the Trade-marks Office.

Further, the new system will permit repeat applications by owners of deadwood registrations – those not supported by use in the three years subsequent to registration. This will frustrate the purpose and intended functioning of the system, and increase costs of administration.

Finally, the amendments potentially have the effect of creating trade-marks “in gross”, that is, trade-marks without attached goodwill. This could undermine the constitutional underpinning of Canada’s trade-mark system. Specifically, to be valid federal law, the *Trade-marks Act* must be connected to trade and commerce or international trade. This could be called into question if marks can be registered without any use.

Amendments Should Be Repealed or Not be Brought into Force Pending Consultations

The amendments to the use provisions of the *Trade-marks Act* are not yet in force. We encourage the government to delay bringing them into force pending further study on the implications of the changes, or to repeal them.

Following the introduction of Bill C-31, key stakeholder groups flagged concerns with the amendments. These included the Canadian Manufacturers and Exporters Association, the Canadian Chamber of Commerce, the International Trademark Association, the International Federation of Intellectual Property Attorneys and leading intellectual property law practitioners. All opposed the elimination of the use requirement in Canada. They described the amendments as costly and destabilizing. They argued that the ramifications of the amendments could not be fully appreciated without open consultation.

The CBA Section and its US counterpart the American Bar Association (ABA) also flagged concerns. In addition to the arguments presented again in this letter, we note the ABA’s concerns about the disruption these amendments will cause in the economic relationship between Canada and the US.

The Supreme Court of Canada has characterized trade-mark protection law as consumer protection legislation, and that the protection of the public interest is its primary purpose. The CBA Section recommends that any consultation be cast widely to encourage commentary on the extent to which the amendments are consistent with the protection of the public interest.

Conclusion

The Bill C-31 amendments to the use provisions of the *Trade-marks Act* will undermine the integrity of Canada’s trade-marks system, introducing unnecessary cost, complexity and uncertainty. We encourage the government to reconsider these amendments. We would be pleased to meet at your convenience to discuss these matters further.

Yours truly,

(original letter signed by Tina Head for Mala Joshi and John McKeown)

Mala Joshi
Chair, CBA Intellectual Property Section

John McKeown
Chair, Trade-marks Committee, CBA IP Section