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Via email: mark.schaan@canada.ca

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Director General
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Innovation, Science and Economic Development
Canada (ISED)/Government of Canada
235 Queen Street
Ottawa, ON K1A 0H5

Dear Mark,

Re: Use requirement in Canadian Trademarks Law

I am writing on behalf of the Canadian Bar Association Intellectual Property Section (CBA IP Section). As you are aware, 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 IP Section deals with law and practice relating to all forms of ownership, licensing, transfer and protection of intellectual property and related property rights, including patents and trademarks.

Thank you for your leadership in bringing together representatives of the CBA IP Section and the extended IP policy teams from both ISED and Canadian Heritage. Our half-day meeting on January 17th permitted a valuable, open, and candid dialogue on a wide range of IP policy issues. I am writing today to follow up our discussion on the Bill C-31 changes to the trademarks 'use' requirement.¹

Summary of CBA Position

We share a common goal – a robust Canadian trademark regime. We all benefit from a system that is efficient, in harmony with our trading partners, and that reduces barriers to entry and provides effective and fair rights of enforcement.

¹ Economic Action Plan 2014 Act, No. 1, Part 6 Division 25

The CBA IP Section has carefully considered the rationale presented for eliminating the use requirement; however, we remain concerned that any benefits will be greatly outweighed by the costs and burdens that will result from Bill C-31. We recommend further policy development before implementing this fundamental change to our trademark regime.

The Madrid Protocol and TRIPS do not Require Eliminating Use

The Madrid Protocol² does not require a signatory to permit the registration of a trademark without use. Canada can fully accede to the Madrid Protocol and maintain use as a precondition to registration. We note that the United States, a signatory to the Madrid Protocol, continues to require use (or an assertion of a bona fide intention to use) as a precondition to registration. As a result, the US trademark register can be more reliably searched by aspiring applicants.

Similarly, TRIPS³ does not require a signatory to permit the registration of a trademark without use. Article 15 of that treaty expressly permits use as a precondition to registration.⁴ The same is true for the Singapore Treaty on the Law of Trademarks⁵ and the Nice Agreement⁶ – neither of them compels member states to permit the registration of a trademark without use.

We support Canada being an engaged member of the international trademark community and adhering to these treaties. That engagement can be fully achieved by maintaining the use requirement. Indeed, we argue that it is in the interest of all stakeholders to do so.

The European System has Negatively Impacted Businesses

We discussed the European system - where use is not required to obtain a registration – and whether there has been a chill on small and medium sized businesses arising from trademark squatting or cluttering of the register.

In our experience, trademark cluttering is a problem in Europe, evidence of which is now finding its way into the published literature. For example, we note the following comment from a recent European survey:

It is extremely difficult to do a sensible clearance search as there are so many CTMs that are not used or ones which are registered for class headings so that there is no indication of what the likely commercial interest is.⁷

There is a range of possible misuse in any trademark system. At the most egregious end are 'trolls' or 'squatters' who knowingly appropriate marks that belong to another. In these instances,

² Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, available [online](http://ow.ly/QioL30bt4nW) (http://ow.ly/QioL30bt4nW).

³ The Agreement on Trade-Related Aspects of Intellectual Property Rights

⁴ Article 15, section 3: Members may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application.

⁵ Singapore Treaty on the Law of Trademarks, available [online](http://ow.ly/2bkQ30bt4AP) (http://ow.ly/2bkQ30bt4AP).

⁶ Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, available [online](http://ow.ly/mY9v30bt4Mm) (http://ow.ly/mY9v30bt4Mm).

⁷ Survey of Market Participants Who Use the CTM System, Institut fur Demoskopie Allensbach (2010), available [online](http://ow.ly/WXtd30bt4VE) (http://ow.ly/WXtd30bt4VE).

cancellation and invalidity proceedings may be commenced, although these may be ineffective options due to the associated time and cost.

A more prevalent issue arises from entities that register trademarks for a much wider range of products and services than they actually use, or reasonably intend to use. A broad registration could be based on an intention to expand the use of a brand, the mere possibility that actual use may expand, or a deliberate strategy to create obstacles for competitors. In our experience, the European register is replete with overbroad marks. A report prepared for the U.K. Intellectual Property Office has concluded that further study of use requirement rules is warranted to help trademark offices prevent cluttering “arising due to inadvertent abolition or watering down of these important rules.”⁸

The more cluttered the register, the more difficult it is to provide quality clearance opinions for the adoption and use of new marks. Even if there is a perception that a registration is overbroad, businesses may hesitate to launch a product ‘at risk’. Asking for the consent of the registrant is possible; however, the new applicant often brings little leverage to that discussion. In addition, such consent is not binding on the Trademarks Office and the examiner may choose to disagree.

Furthermore, caution should be taken before drawing too many parallels between the European CTM System and the Canadian trademarks regime. The European CTM system was introduced to promote the harmonious development of economic activities across the European Union and coexists with the national trademark systems of member states.⁹ There is no such coexisting regime in Canada.

The CBA IP Section continues to believe that the challenges faced in Europe will be felt here if the use requirement is undermined. Even though Bill C-31 has not been fully implemented, it appears the proposed amendments have already encouraged squatting and over-claiming. The number of Canadian applications waiting to be registered has increased from 40,000 in 2014, when Bill C-31 was introduced, to nearly 70,000. At this rate, there may be over 100,000 by the time the proposed amendments are implemented. We believe many of these pending applications would be registered, but for the current requirement to file a declaration of use.

When the amendments come into place, these applications will be able to proceed simply by payment of a fee. Since filing costs do not presently increase by adding classes of products or services, there is no financial disincentive to over-claim. We believe certain applicants have done just that; some of the pending applications include pages and pages of goods and services.

The Application Process

We understand the objective of a simplified process in which applicants who use the Madrid system and file in multiple countries do not experience an additional burden by filing in Canada.

Maintaining the use requirement presents little, if any, true burden on an applicant. The administrative time and cost associated with identifying dates of first use is modest. Many international applicants will include registrations in the United States as part of their portfolios. If applicants will be demonstrating use for that jurisdiction, then claiming use in Canada will not be an additional burden.

⁸ [Trade-mark cluttering: an exploratory report](http://ow.ly/RXi430bt44s) (2012); (<http://ow.ly/RXi430bt44s>).

⁹ Tobias Cohen Johoram et al., *European Trademark Law: Community Trademark Law and Harmonized National Trademark Law* 468 (2010)

Alternatively, if the use requirement is removed, we recommend further revisions be made to the *Trade-marks Act* to provide adequate safeguards. These could include:

- amending s. 30 to expressly require a bona fide intent to use;
- amending ss. 19 and 20 to permit enforcement proceedings only when there has been use of the mark in Canada; and,
- amending s. 57 to permit expungement where it can be demonstrated that the application was filed in bad faith (to address squatters) and/or there was no genuine intent to use when the application was filed (to address over-claiming).

We also note that the proposed amendments to s.38(2) would provide a ground of opposition where, at the filing date of the application, the applicant was not using and did not propose to use the trademark in Canada in association with the goods or services specified in the application. Section 57 could be amended in parallel to enable the expungement of a registration on the same grounds.

This is not intended to be an exhaustive list, rather what would be minimally necessary to address the issues we have discussed. The Act is rarely opened up for revision, so we would encourage using this opportunity for a more comprehensive review of our trademark legislation.

Sections 45 and 57 Offer Inadequate Protection

We also discussed whether the availability of summary cancellation proceedings within the Trademarks Office (s. 45) and validity challenges in the Federal Court (s. 57) offer adequate protection from any problems caused by the ability to obtain a trademark registration without use. Our position is that they do not.

Section 45 proceedings can only be instituted after a mark has been registered for at least three years. This three year window is mandated by TRIPS and cannot offset problems arising from Bill C-31.

The scope of a section 45 challenge is narrow – it can only be used to cancel a registration for non-use; it cannot be used to challenge a mark where the application was filed in bad faith.

For entities filing trademark applications, using section 45 to clear the register of marks that would not have been registered under the current system will only add cost and delay – both to the applicant and CIPO. Any administrative efficiency from eliminating the declaration of use will be dwarfed by increased use of more administratively demanding cancellation proceedings.

Section 45 does not provide timely relief for entities that receive a cease and desist letter regarding a mark that would not have been registered under the current system, and who believe the asserted registration is vulnerable to cancellation, even when uncontested, it can take up to seven months for a registration to be expunged. Parties must typically respond to allegations of infringement long before a section 45 proceeding would be concluded.

Litigation is time consuming and expensive. It is an option of last, not first, resort. Branding decisions often come down to money. For a smaller business, the cost of re-branding is typically much less than a court challenge; this creates an incentive not to litigate. A validity challenge in the Federal Court (s. 57) will not be a remedy for those who do not have the financial resources to exploit it.

Even if section 57 proceedings were commenced, the amendments proposed by Bill C-31 may make such a challenge difficult. The proposed revisions to s. 30 only require that the applicant "propose to use" the mark. If "propose to use" is interpreted as placing a low burden on applicants, s. 57 will be a limited tool to address a cluttered register.

Opposition Proceedings are Lengthy and Expensive

An opposition provides a narrow (60 day) window for third parties to challenge the registration of pending applications. An opposition cannot be brought before advertisement of the mark, or after registration.

While everyone is deemed to know when a mark is advertised in the Trademarks Journal, we know that is not the case. Many SMEs do not know what the Trademarks Journal is, let alone read it frequently. If the availability of oppositions is seen as a partial answer to the challenges that will arise from Bill C-31, that will come at great cost. Businesses will need to retain watching services to give them notice of the advertisement of potentially conflicting marks. If an opposition is commenced, it can go on for years and cost tens of thousands of dollars. The cost of creating and maintaining a trademark register that reflects the marketplace should not be shifted down to the business community.

Further Policy Development is Required

In many ways, our trademark legislation and its administrative mechanisms work well. In other ways, they could bear improvement. The Minister and senior officials at ISED have heard from the CBA IP Section and our counterpart at the American Bar Association, individual lawyers from across Canada, other professional organizations, and chambers of commerce – all raising significant concerns over Bill C-31. We ask that ISED postpone the full implementation of Division 25 of Part 6 of Bill C-31 so that all stakeholders have an opportunity to fully explore trademark policy options that achieve our common goal – an effective and efficient Canadian trademark system.

We would welcome the opportunity to contribute to such an initiative.

Yours truly,

(original letter signed by Tina Head for Kamleh Nicola)

Kamleh Nicola
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c.c. Mitch Davies, Assistant Deputy Minister, Innovation Canada, ISED
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