May 17, 2016

The Honourable Navdeep Bains
Minister of Innovation, Science and Economic Development
235 Queen Street
Ottawa, ON K1A 0H5

Re: Joint Comments on amendments to the Canadian Trademarks Act enacted by Bill C-31, Part 6, Division 25

Dear Minister Bains:

On behalf of the American Bar Association Sections of Intellectual Property Law and International Law, we respectfully submit the attached comments relating to amendments made by Bill C-31 to the use requirements of the Canadian Trademarks Act. The amendments have not yet been brought into force.

Please note that these views are being presented only on behalf of the Sections of Intellectual Property Law and International Law. They have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and should not be construed as representing the position of the American Bar Association.

If you have any questions after reviewing these comments, we would be happy to provide further input.

Sincerely,

Theodore H. Davis, Jr.
Chair
Section of Intellectual Property Law

Lisa J. Savitt
Chair
Section of International Law
JOINT COMMENTS OF THE AMERICAN BAR ASSOCIATION SECTIONS OF INTELLECTUAL PROPERTY LAW AND SECTION OF INTERNATIONAL LAW ON CERTAIN AMENDMENTS MADE TO THE CANADIAN TRADE-MARKS ACT

The views stated in this submission are presented jointly on behalf of the Section of Intellectual Law and the Section of International Law. They have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and therefore may not be construed as representing the policy of the American Bar Association.

May 17, 2016

The Section of Intellectual Property Law and the Section of International Law (together, the “Sections”) of the American Bar Association (“ABA”) respectfully submit these comments, which reflect their expertise and experience with trademark law in the United States as well as in numerous other jurisdictions worldwide.

EXECUTIVE SUMMARY

Bill C-31, an omnibus budget bill was introduced on February 11, 2014. The amendments relating to the use requirements to the Trade-marks Act received royal ascent on December 9, 2014 despite concerns about long term implications and costs raised by many organizations including the ABA and experts in the field of trademarks. The Canadian Intellectual Property Office has recently indicated that the amendments to the Trade-marks Act will not be brought into force until 2018 since regulations required by the changes have to be finalized.

The Sections recommend that the amendments dealing with use be repealed or not brought into force.
I. PAST REQUIREMENT OF USE IN CANADA

Trademark use has been a fundamental requirement under the Canadian Trade-marks Act for many years. Pursuant to this requirement, trademark applicants in Canada had to specify one of three bases for their applications. First, an application could be based on the trademark having been used or made known in Canada in association with the applied-for wares or services. Second, an application could be filed on the basis of a registration and use abroad in the applicant’s country of origin. Finally, an application could be filed on the basis of proposed use. However, before a registration could be obtained on this last basis, the applicant was required to file a declaration confirming that it has commenced use of the trademark since the filing of the application.

II. THE RECENTLY ENACTED AMENDMENTS

In the U.S., as was the case in Canada, it is a fundamental requirement that a trademark must be used in commerce before its owner will be granted exclusive rights with the exception of applications based on a foreign registration.

The U.S. has adhered to the Madrid Protocol and supports Canada’s adherence to the Protocol as well. However, when the U.S. adhered to the Protocol, it did not change the statutory requirement that businesses domiciled in the United States use their marks in commerce before being able to register those marks or that all registrants maintain their registrations through periodic filings documenting that use. Likewise, Canada’s adherence to the Protocol does not require it to change the statutory requirement relating to the use of a trademark.

Although the amendments to the Trade-marks Act were allegedly inspired by Canada’s desire to adhere to the Protocol, the changes made relating to the use requirement are completely
new. They allow an applicant to obtain a trademark registration without any declaration of use of the trademark in Canada or anywhere else. The sections of the Bill implementing this change include:

- Section 330 amending section 16 concerning entitlement to registration;
- Section 339 amending section 30 concerning the contents of an application; and
- Section 345 removing the requirement to file a declaration of use from section 40.

Section 330 removes from the Act any grounds of entitlement to registration based on use, registration and use abroad, or proposed use. Instead, entitlement to registration is to be initially determined on the basis of the filing date.

Section 339 amends the form of application so that it will no longer be necessary to specify the basis of a claim to entitlement to registration.

Section 345 removes from the Act the requirement to submit a declaration that the use of the trademark in Canada in association with the wares or services specified in the application has commenced since the filing of the application.

No rationale has been presented in favor of these amendments other than the administrative efficiency of the Canadian Intellectual Property Office, the governmental body responsible for the operation of the Trademarks Office.

We understand that there were no consultations with any interested parties on the effect of these amendments prior to their introduction in Parliament as part of a large omnibus bill.
Following the introduction of Bill C-31, major Canadian business groups including the Canadian Chamber of Commerce, businesses, professional groups focused on intellectual property, the Canadian Bar Association, the American Bar Association and experts in the field of trademarks all made submissions raising concerns about the impact of the amendments relating to use. Despite this, no changes to the amendments were ever made.

III. Amendments on the Use Requirement Negatively Impact Trademark Owners

U.S. trademark owners are a very large user group of the Canadian trademark system, and they and their U.S. counsel have significant experience with the system. For example, more than 78,700 of the 244,649 applications filed in Canada between 2010 and 2014 were submitted by applicants from the U.S. The Sections’ comments reflect their members’ expertise with U.S. law and their familiarity with intellectual property law internationally, including in Canada.

The amendments set out above relating to use will have a negative impact on trademark owners seeking to protect their trademarks in Canada, who will face additional expense and economic disadvantage.

Although U.S. trademark owners will be more negatively impacted by these amendments, given the substantial amount of trade between the U.S. and Canada and the sheer number of U.S. trademark applicants in Canada, trademark owners in all countries protecting their trademarks in Canada will face these same problems.

The amendments once in force will cause the following problems, among others:

a) The trademark 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 many more goods and services than would be the case if the owner is required to show use before registration.

b) The register is frequently searched in order to determine the availability of new marks and names in advance of use and registration. Because the register will become a less reliable indicator of “real” rights, potential applicants and their counsel will be forced to conduct additional marketplace investigations in order to determine if a mark is available for use and registration. This will increase clearance costs and will add complexity and uncertainty to the selection and use of trademarks and trade names in Canada;

c) The lack of useful information on the register will require expensive investigations about trademark use before meaningful advice can be given about the chance of success in trademark oppositions and actions for infringement;

d) Without use claims to keep applicants/owners accountable, more expensive trademark opposition proceedings will likely be required to protect the interests of trademark owners. The current opposition rate is low (about 3% of all advertised applications). CIPO spokespeople have estimated that the new system will increase the rate of opposition by at least two times. This will require additional administrative and judicial resources;

e) The potential for trademark "trolls" will escalate, as applicants will be able to register a mark and obtain the right to enforce it under the Act without having to declare use. The “trolls” may use such rights to bargain with others, including Canadian companies
who are actually using a mark, much in the same way that domain name “trolls” are able to register domain names for the purpose of selling them to the highest bidder;

f) While deadwood registrations - those not supported by use - can be removed under section 45 of the Act, this generally cannot occur until three years have passed and the steps to cancel unused registrations must be taken and paid for by other parties;

g) The effectiveness of the section 45 system will be in doubt, since nothing prevents the deadwood registration owner from filing a new application for the same mark, frustrating the intended function of the system; and

h) The amendments creating trademark rights "in gross" or without use, will further jeopardize the effectiveness of the entire trademark system.

In addition to the above, when the amendments are brought into force they may invite a constitutional challenge to the authority of Parliament to the legislate rights conferred by registration in the absence of use.

The issue is whether the proposed legislation constitutes an undue invasion of the rights of the provinces to legislate in relation to property and civil rights within the province, and therefore is ultra vires of Parliament, and whether it can be justified as “regulation of trade and commerce” given there is no trade and commerce to regulate at the time of creation of trademark rights “in gross”.

Consequently, it is the view of the Sections that the recently amended Trade-marks Act should be repealed to remove sections 330, 339, and 345 or the amendments concerning the sections should not be brought into force.
CONCLUSION

For the aforementioned reasons, the Sections submit that the amendments relating to use should be repealed or not brought into force. The Sections are available to provide additional comments, or to participate in consultations in the future as is appropriate.