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Protecting Trade Marks North of the Border

I. Introduction

The purpose of this podcast is to explain to practitioners and other interested individuals outside of Canada how Canadian laws relating to trade marks work so they can use this information strategically to their advantage.

The Trade-marks Act

The *Trade-marks Act* provides for a national public registry system that shows proscribed information for each registered trade mark. The *Act* facilitates the protection of trade marks by granting exclusive rights to owners and providing for public notice of those rights.

The use of a mark in Canada or in a country that is a member of the Paris Convention or a member of World Trade Organization, (Country of the Union) creates rights under the *Act*. A non-Canadian trade mark owner may file an application for a mark on the basis registration and use in the owner's "country of origin". The *Act* provides that the term "country of origin" means a Country of the Union in which the applicant had at the date of the application a real and effective industrial or commercial establishment, was his or her domicile or was a citizen or national of that Country.

Priority rights are also available. The priority date for applications based on a mark registered and used abroad is the date of the filing of the application in Canada or, if specific requirements including requirements relating to timely filing are satisfied, the filing date abroad.

In Canada in order to be eligible to obtain a trade mark registration, the applied-for-mark must comply with the provisions of the *Act* relating to registrable trade marks. The *Act* lists a number of matters which may preclude obtaining a registration. The application of these matters can be avoided in part for a mark registered and used abroad.

Common Law Rights

The Canadian trade mark registration system co-exists with common law trade mark rights. Common law rights are typically acquired through actual use of a common law mark in Canada in association with wares or services. These rights are not directly affected by any international obligations.

In the case of a well known mark it may be not necessary that a person actually use the mark in Canada in order to have goodwill or a reputation in Canada that may be protected. As a common law trade mark becomes known and goodwill is associated with it, the owner of the common mark will be able to assert claims against others who use confusing trade marks in the specific region or area where the common law trade-mark owner has built up goodwill. This type of claim is referred to as “passing off”

II. Basic concepts

Trade Mark

The *Act* provides that a trade-mark means

- a) a mark that is used by a person for the purposes of distinguishing or so as to distinguish wares 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 trade-mark.

The key to the definition of a 'trade mark' is that a trade mark distinguishes the wares or services of its owner from those of others.

Distinctiveness

"Distinctive" in relation to a trade mark, means a trade mark that actually distinguishes the wares or services in association with which it is used by its owner from the wares or services of others or is adapted so to distinguish them. The definition applies to trade marks which are used as well as to a trade mark which is proposed to be used. In latter case the mark must be adapted to distinguish the wares or services in issue, because the trade mark is inherently distinctive.

Distinctiveness is the essence and cardinal requirement of a trade mark. The Registrar of Trade-marks may not directly refuse an application to register a mark on the basis of lack of distinctiveness but an application may be opposed on the ground that the applied-for mark is not distinctive. The registration of trade mark may be found to be invalid if the trade mark is not distinctive at the time the proceedings bringing the validity of the registration into question are commenced.

Distinguishing Guise

A "distinguishing guise" means a shaping of the wares or their containers or a mode of wrapping or packaging wares, the appearance of which is used by a person for the purpose of distinguishing wares manufactured, sold, leased, or hired by it from those manufactured, sold, leased, hired or performed by others.

A distinguishing guise is registrable only if

- a) it has been used in Canada by the applicant or predecessor in title as to have become distinctive at the date of filing of an application for its registration; and
- b) the exclusive use by the applicant of the distinguishing guise in association with the wares or services with which it has been used is not likely unreasonably to limit the development of an art or an industry.

No registration of a distinguishing guise interferes with the use of any utilitarian feature embodied in the distinguishing guise. The registration of the distinguishing guise may be limited to a defined area of Canada.

The registration of a distinguishing guise may be expunged by the Federal Court on the application of any interested person if the Court concludes that the registration has become likely to unreasonably limit the development of any art or industry in Canada.

Prohibited Marks

The adoption, which includes use and application for registration, of a variety of regal, governmental or public words, crests, symbols, marks or other devices is prohibited. Subsection 9 (1) of the *Act* provides that no person shall adopt in connection with a business, as a trade-mark or otherwise, any mark consisting of, or so nearly resembling as to be likely to be mistaken for, a prohibited mark.

Prohibited Designations

Section 10 states that where a mark has by ordinary and *bona fide* commercial usage become recognized in Canada as designating the kind, quality, quantity, destination, value, place of origin or date of production of any wares or services, no person shall adopt it as a trade mark in association with such wares or services or others of the same general class or use it in a way

likely to mislead. In addition, no one may adopt or so use any mark so nearly resembling that mark as to be likely to be mistaken for it.

Where a denomination must under the *Plant Breeders' Rights Act*, be used to designate a plant variety, no one may adopt the denomination as a trade mark in association with that plant variety or another plant variety of the same species or use it in a way likely to mislead. In addition, no one may adopt or use any mark so nearly resembling that denomination as to be likely to be mistaken for it.

III. Acquisition of Rights

An application for a mark may be filed on the basis of

- a) the use the trade mark in Canada,
- b) making the trade mark known in Canada,
- c) registration and use in the “country of origin” of the applicant, and
- d) proposed use.

An application can include multiple grounds as the basis of registration.

Definition of Wares and Services

An application must contain a statement in ordinary commercial terms of the specific wares or services in association with which the trade mark has been or is proposed to be used. If the wares or services fall into different general categories they should be grouped by category. Canada has not adopted the *Arrangement of Nice Concerning the International Classification of*

Goods and Services which sets out a system for the classification of goods and services. There are no separate fees since there are no applicable “classes” of wares.

The Canadian Intellectual Property Office has developed a Wares and Services Manual to serve as a guide for specifying wares and services in trade mark applications. The Manual contains a representative listing of acceptable wares and services, as well as directions for making “insufficiently specific” wares and services acceptable.

IV. Registration and Use Abroad

A non-Canadian trade mark owner may file an application for a mark on the basis of registration and use in the owner’s “country of origin”. The particulars of the registration and use in the country of origin must be set out in the application. Before such an application will be approved for advertisement a certified copy of the registration must be filed. In order to obtain a registration it is not necessary to show use in Canada of the applied for mark, but any registration may be subject to attack if use does not occur.

It is important to be aware the registration in the country of origin must be accompanied by use in that country. While the Registrar does not require proof of use the application may be opposed on the grounds that use did not occur.

The applicant of such an application can take advantage of section 14 of the *Act*. Compliance with section 14 avoids the requirements set out in section 12 relating to registrability. Section 14 provides that notwithstanding section 12, a trade mark that the applicant or applicant’s predecessor in title has caused to be duly registered in or for the country of origin of the applicant is registrable if, in Canada:

- (b) it is not without distinctive character, having regard to all the circumstances of the case, including the length of time during which it has been used in any country;

(c) it is not contrary to morality or public order or of such a nature as to deceive the public;

Section 14 is only available to an applicant with a country of origin that is a Country of the Union and in relation to a trade mark that the applicant or applicant's predecessor in title has caused to be duly registered. The section does not apply to trade marks that have been used but not registered in the country of origin.

An applicant who is entitled to claim the benefit of the section may do so at any time during the application process but the registration relied upon must exist at least until the Canadian registration is granted.

V. Use or Proposed Use

A trade mark is deemed to be adopted when a person or his or her predecessor in title commenced to use the trade mark in Canada. An application for a mark may be filed on the basis of use the trade mark in Canada. The requirements of the *Act* relating to use must be satisfied.

If the trade mark has not previously been used by the applicant or his or her predecessor in title, the mark is deemed to be adopted on the filing of an application for registration of a trade mark in Canada. A proposed trade-mark means a mark that is proposed to be used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by that person from those manufactured, sold, leased, hired or performed by others.

No application may be amended to change the application from one not alleging use of the trade-mark in Canada before the filing of the application to one alleging such use.

VI. Priority Filing date

If an applicant applies to register the same or substantially the same trade mark in Canada for use in association with the same kind of wares or services, within six months from the date of first filing in a Country of the Union then the date of filing in that country becomes the effective Canadian filing date.

VII. Official Marks

The term “official mark” describes marks adopted and used by a public authority, in Canada, under paragraph 9(1)(n)(iii) of the *Act*, as a mark for wares or services. There are a large number of these marks and many of the marks are of a commercial nature. In certain cases their existence can cause significant problems for which there may be no redress. A request for an official mark may only be filed by a “public authority.”

Subsection 9 (1) of the *Act* provides that no person shall adopt in connection with a business, as a trade-mark or otherwise, any mark consisting of, or so nearly resembling as to be likely to be mistaken for, a mark adopted by a public authority in respect of which the Registrar has given public notice.

The public notice of the adoption and use of an official mark does not operate retroactively to prohibit the use of an existing mark. A trade mark owner can continue to use a trade mark adopted or registered before the publication of a similar official mark with impunity. However, public notice of the adoption and use of an official mark will preclude the expansion of an existing registration to additional wares or services or the registration of any pending application which was not registered at the time of the publication of the official mark even if previously adopted, used and applied for.

VIII. Assignments and Licenses

Assignments

Subsection 48(1) of the *Act* provides that a trade mark, whether registered or unregistered, is transferable, and deemed always to have been transferable, either in connection with or separately from the goodwill of the business, and in respect of either all or some of the wares or services in association with which it has been used. The subsection applies to both registered and unregistered trade marks.

Once a mark is assigned, the new owner must take the necessary steps to cause the mark to actually distinguish its wares or services from the wares or services of others, including those of the assignor. If the mark does not become distinctive of the new owner, the validity of the registration may be attacked on the ground that it is not distinctive. The function and the purpose of a trade-mark is to indicate the source of the goods, and by definition, it must be and remain distinctive of a single source.

Licenses

Section 50 provides that, for the purposes of the *Act*, if an entity is licensed by or with the authority of the owner of a trade mark to use the trade mark in a country and the owner has, under the licence, direct or indirect control of the character or quality of the wares or services, then the use, advertisement or display of the trade mark in that country as or in a trade mark, trade name or otherwise by that entity has, and is deemed always to have had, the same effect as such a use, advertisement or display of the trade mark in that country by the owner.

The use of the words “in a country” allow an applicant for a trade mark based on registration and use abroad to rely on use by a licensee abroad.

Even though a related company controls another company by virtue of its share holdings, as in a parent and wholly owned subsidiary relationship, such control is not sufficient to comply with section 50. In cases involving such a relationship there must be evidence of facts from which it can be concluded that a licensing arrangement existed and that the trade mark owner had direct

or indirect control of the character or quality of the licensed wares or services provided pursuant to that licensing arrangement.

For the purposes of the *Act*, to the extent that public notice is given of the fact that the use of a trade mark is a licensed use and of the identity of the owner, it will be presumed, unless the contrary is proven, that the use is licensed by the owner of the trade mark and the character or quality of the wares or services is under the control of the owner. This presumption may be rebutted if evidence to the contrary is presented.

IX. Opposition Practice

An opposition may be based on any of the following grounds:

(i) The application does not conform to the requirements of section 30 which specifies what must be contained in an application. This includes grounds such as

- The applicant did not describe the wares or services in ordinary commercial terms.
- The applicant did not use the mark from the date set out in the application.
- The applicant did not use the mark in its country of origin when the application is based on registration and use abroad.
- The applicant could not have been satisfied it was entitled to use the mark.
- The applicant used the mark prior to filing an application for the mark on the basis of proposed use.
- The applicant failed to refer to a predecessor in title who used the mark or a licensee.

(ii) The trade mark is not registrable.

(iii) The applicant is not the person entitled to registration.

(iv) The trade mark is not distinctive.

The owner of a trade mark registered abroad who cannot satisfy the difficult requirements of showing its mark has been made known in Canada may oppose an application on the basis of non distinctiveness. But in order to succeed with such a ground of opposition it must be shown that at the date of filing the statement of opposition, the mark is known to some extent in Canada and the reputation of the mark in Canada is substantial, significant or sufficiently known so as to negate the distinctiveness of the applied for mark.

Both the opponent and the applicant are given an opportunity, in the manner prescribed, to submit evidence by way of affidavit or statutory declaration or certified copies of documents or entries relating to the register.

At any time before notice requiring filing of argument, the Registrar may, on the application of any party and on such terms as may be directed, order the cross examination under oath of any affiant or declarant on their affidavit or declaration. If an affiant or declarant fails to attend for cross examination, the affidavit or declaration shall not be part of the evidence.

Where the affiant or declarant resides outside of Canada and the parties are unable to come to an agreement concerning cross-examination in that individual's country; the individual will be made available for cross-examination in Canada and the party on whose behalf the individual is being cross-examined will bear the cost of all expenses.

X. Section 45 Proceedings

The purpose of section 45 of the *Act* is to provide a summary procedure for trimming the register of "dead wood". Frequently proceedings under the section will be instituted by third parties who

are prevented from obtaining a registration for a desired mark by a registration which is perceived not to be in use.

The section provides that the Registrar, at any time and at the written request made after three years from the date of the registration of a trade mark by any person who pays the prescribed fee, shall, unless the Registrar sees good reason to the contrary, give notice to the registered owner of the trade mark requiring the registered owner to furnish within three months an affidavit or statutory declaration showing with respect to each of the wares or services specified in the registration, whether the trade mark was in use in Canada at any time during the three year period immediately proceeding the date of the notice and, if not, the date when it was last so in use and the reason for the absence of such use since such date.

The Registrar should not attempt to resolve any question other than whether the registration is in use. The procedure under the section is not intended to create or rescind substantive rights.

XI. Actions for Infringement and Passing Off

Both the Federal Court and any court of competent jurisdiction of a province have jurisdiction to hear and determine an action for the infringement of a trade mark. The rights associated with a registered trade mark are territorial and a Canadian court does not have jurisdiction concerning infringement that takes place wholly abroad.

A claim for passing off is also territorial in nature since it is restricted to the area in which the plaintiff can establish the existence of goodwill. Actions for passing off at common law may only be brought in courts of competent jurisdiction of the provinces. The Federal Court has no statutory jurisdiction to hear an action for passing off unless the claim is interconnected with a claim over which the court has jurisdiction.

Actions claiming relief under subsection 7(a) or (b) of the *Trade-marks Act*, the statutory codification of passing off, may be brought in the Federal Court or in courts of competent jurisdiction in the provinces.

The applicable rules of practice of Canadian Courts provide that if the plaintiff is ordinarily resident outside of Canada the court may order that security for the defendant's costs be provided. The amount of the security can be significant.