



# Canada needs to be smarter on Intellectual Property

## New trademark law widely panned by legal community

*Canadians have taken little notice of a key change to trademark law that the legal community fears will have chaotic results. By dropping the “use” requirement for registering a trademark, Canada has abandoned “more than 140 years of trademark jurisprudence and may invite a constitutional challenge”.*

***Elaine Depow***

Sometimes, the hard way is the only way to learn.

When you don't pay your dues at a private club, your name is posted to a black list for all the membership to see. When you don't pay your taxes, the bailiff comes knocking. And when you're a G8 country with a shameful intellectual property (IP) regime, world will surely notice – and begin collections proceedings, so to speak.

In its annual Special 301 Report, the United States Trade Representative (USTR) details those countries with the worst IP performance. Developing countries almost always make the Watch List. What's surprising is that Canada has been on the Watch List since 1995, and was downgraded in 2001 to the Priority Watch List, the grouping that houses the worst IP offenders. Canada remains on the Watch List.

In recognition of its host country's humiliation, the US Embassy in Canada declared that, "Canada's relatively weak protection and enforcement of intellectual property rights (copyrights, trademarks, patents, and trade secrets) has attracted domestic and international attention."<sup>1</sup>

The irony, of course, is that Canada considers itself an economic leader and a centre of innovation, or so the rhetoric goes.

Canada took what initially seemed a productive step forward as its omnibus Bill C31, "Canada's Economic Action Plan Act 2014" received Royal Assent on June 19, 2014.<sup>1</sup>

### Going Global is "not so Nice"<sup>2</sup>

The new legislation laid the groundwork for Canada to finally stand alongside its global colleagues in such treaties as the Madrid Protocol, which secures international trademark registrations, and the Singapore Treaty which harmonizes international registration procedures.

Though acquiescence to Madrid and Singapore is considered both straightforward and inevitable, questions have swirled around Canada's participation in the Nice Classification, the standard most countries rely on to categorize goods and services for the registration of trademarks. Unlike Canada's 2012 *Copyright Modernization Law*, which former Industry Minister Christian Paradis hailed as the Government's commitment to, "modernize Canada's copyright legislation and strike the right balance between the needs of creators and users,"<sup>3</sup> the new legislation has ignited a brouhaha amongst Canadian IP lawyers regarding Part 6, Division 25, of the Trademarks Act. Buried deep within the bill's complexities is a worrying change to the critical concept of use.

1 <http://canada.usembassy.gov/key-reports/special-301-report-intellectual-property-rights.html>

2 Brian P. Issac Nice Classification of Trade-marks- Perhaps Not So Nice for Canadians June 25, 2014

3 Press Release Harper Government Delivers on Commitment to Modernize Canada's Copyright Laws <http://news.gc.ca/web/article-en.do?mthd=advSrch&crtr.page=1&cnid=683909&crtr>

4 Brian P. Issac Nice Classification of Trade-marks- Perhaps Not So Nice for Canadians June 25, 2014

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Quite basically, the "not so Nice for Canadians act"<sup>4</sup> will eliminate the requirement that a mark be used elsewhere prior to its registration. Shifting to a non-use regime means that applicants will not be required to specify a date of first use in Canada, nor will it be incumbent on them to prove their intent to use. Further, applicants who propose to use their mark will not be required to file a declaration to use prior to obtaining registration.

### Becoming 'Use'-less: Canada's New Trademark Law

Just days before the bill became law, Allison McLean, editor of Osgoode Hall Law School's IPilogue declared that, "trademark law in Canada is poised for transmutation thanks to the 2014 Federal Budget of all things."<sup>5</sup> This 'transmutation'

will, effectively eliminate use, the clause proponents consider 'the core component' of Canadian trademark law.

Across the country, opponents of non-use have echoed the sentiment.

Daniel Bereskin of Bereskin & Parr, LLP has written extensively on the implications of Canada's shift to a non-use regime. Known across the legal community as the 'dean' of Canadian IP law, Bereskin's concerns resonate. "The changes undermine the foundation of our trademark law," Bereskin said. "They threaten to abandon more than 140 years of trademark jurisprudence and may invite a constitutional challenge."<sup>6</sup>

In practical terms, doing away with use means that money talks: anyone who can pay can register. Sheldon Burshtein of Blake, Cassels & Graydon LLP told the *Financial Post* that dropping the use clause would open the trademark registration playing field to anyone, regardless of whether the registrant has a legitimate commercial application in mind for the mark. "One of

5 <http://www.iposgoode.ca/2014/06/ch-ch-ch-ch-changes-coming-to-the-trade-marks-act/#sthash.3wmzoev9.dpuf>

6 Daniel Bereskin <http://business.financialpost.com/2014/04/16/canada-proposes-radical-change-to-trademark-law-lawyers-warn/>

the great advantages of the use requirement,” Burshstein noted, “is that it works against registering a trademark merely to blackmail an established franchise.”<sup>7</sup>

The IP Section of the Canadian Bar Association (CBA) expressed its dismay with the technicalities around removal of the use requirement and, significantly, the federal Government’s failure to invite consultation, in a letter to Senator Irving Gerstein, Chair of the Senate Banking, Trade and Commerce Committee, and David Sweet, MP, Chair of the House of Commons Industry, Science and Technology Committee. “In light of these problems,” the CBA wrote, “it is the view of the CBA Section that Part 6, Division 25 should be removed from Bill C31 and be the subject of detailed consideration and consultations with all interested parties. The CBA would welcome the opportunity to work collaboratively with the government to improve the law in this area.”<sup>8</sup> The Bar’s letter and similar such petitions did not sufficiently influence the government’s decision-making, as the bill has since made an uninterrupted journey to law-hood.

For critics, the logic is that Government cloaked its true intent in a celebration of enhanced conformity with international practices. Transitioning to a non-use regime will actually eliminate Canada’s alignment with the US on trademark practices; it will elevate cash-flow above the sanctity of an idea; it will foster a climate of uncertainty in terms of the selection and use of trademarks and trade names; it will set a negative precedent for failure to consult the professional community; it will invite an increase in

‘trade-mark trolls’ – applicants who are able to register a mark, and enforce it under the Act without ever declaring use. And that’s just the icing. Bereskin has indicated that a constitutional challenge may be in order; “the issue is whether the proposed legislation

can be justified as a legitimate use of the federal government’s ‘trade and commerce’ power given that there is no trade or commerce involved in trademark registration in the absence of the use requirement.”<sup>9</sup>

### **Getting it Right...the Second Time Around**

Adding a non-use clause has created chaos amongst the IP community, whilst highlighting the Government’s knack for contradiction, both in terms of collaborative policy, and on the importance of helping small and medium sized businesses flourish.

Properly protecting IP is not something the Government can do alone – and Government knows better. In testing the limits of its power, Government has demonstrated a profound shortsightedness, by either overlooking potential consequences, or worse – acknowledging but ignoring them.

Although the bill is now a law, there is no clarity on when the new enforcements will kick-in, which means there’s still time. Justine Wiebe of Borden Ladner Gervais, LLP recommends that brand owners be proactive by requesting renewals now; actively applying to register trademarks now; and actively monitoring the trademark register.<sup>10</sup>

Eliminating the core of Canadian Trademark law was a faulty attempt at disproving the USTR’s concerns. Bettering Canada’s IP performance will require Government to actively seek the input and advice of other actors, because Government pulling the decision-making strings alone is never appropriate – nor is it productive. It is now incumbent upon the IP legal community – from the practicing lawyers to those who teach and write – to show leadership by taking their grievances to task, and reminding Canadians that they have the power to influence change. ✦

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7 Sheldon Burshstein <http://business.financialpost.com/2014/04/16/canada-proposes-radical-change-to-trademark-law-lawyers-warn/>

8 CBA submission <http://www.cba.org/CBA/submissions/pdf/14-23-eng.pdf>

9 Daniel Bereskin <http://www.bereskinparr.com/Doc/id388>

10 Justine Wiebe, June 24, 2014 <http://www.mondaq.com/canada/x/322682/Trademark/Bill+Proposing+Significant+Changes+To+Canadian+Trademark+Law+Receives+Royal+Assent>