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en matière de brevets,

de marques de commerce,

de droits d'auteur et

de dessins industriels

BY FACSIMILE
(confirmation by mail)

May 31, 2005

Ms. Heidi Sprung
Assistant Director
Trade-marks Branch
Canadian Intellectual Property Office
50 Victoria Street
Gatineau, Quebec
K1A 0C9

Dear Ms. Sprung:

Re: Proposals for Comment Relating to Modernization of the Trade-marks Act

The Intellectual Property Institute of Canada ("IPIC") is the professional association of patent agents, trade-mark agents, and lawyers practicing in all areas of intellectual property law. We have more than 1,600 members, consisting of practitioners in law firms and agencies of all sizes, sole practitioners, in-house corporate intellectual property professionals, government personnel, and academics. Overall, our members' clients include virtually all Canadian businesses, universities, and other institutions that have an interest in intellectual property in Canada or elsewhere, and also foreign companies who hold intellectual property rights in Canada.

IPIC has received the correspondence of February 24, 2005 from the Canadian Intellectual Property Office ("CIPO"), asking for comments on proposals to modernize the *Trade-marks Act* ("Proposals"), as well as listing other suggestions for changes to Canada's trade-mark system, the Act and Regulations.

IPIC appreciates the opportunity to participate in the discussion of issues of key importance to trade-mark owners and practitioners in Canada. Comments were received from IPIC's Madrid Committee, a committee formed several years ago to specifically consider the issues posed by Canada's adherence to the Madrid

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Agreement or the Madrid Protocol, the Trade-mark Legislation Committee, and the Trade-mark Practice Committee. Altogether, these committees include over 45 practitioners from across Canada who work in intellectual property specialty firms, trade-mark and patent agency firms, the intellectual property departments of large corporate law firms and several large Canadian companies. Each of these committees prepared detailed comments with respect to the Proposals. Furthermore, a draft of this submission was posted on the IPIC web site and members had the opportunity to make comments on the submission.

Summary

Detailed comments with respect to the Proposals follow, but to briefly summarize, the views of IPIC regarding the Proposals are as follows:

1) The Trademark Law Treaty

The most significant element of compliance with the Trademark Law Treaty ("TLT") is the requirement to adopt the Nice Agreement concerning the International Classification of Goods and Services ("Nice Agreement"). A major concern for IPIC is the cost of such adherence, and the impact that this will have on all users of the Canadian intellectual property system, including the majority of Canadian applicants who do not file internationally. There is concern about the impact on both financial and employment resources at the Trade-marks Office that would be required to both train for and implement the Nice Agreement for all trade-marks currently in the trade-mark system, including pending and abandoned applications, registrations, and expunged registrations. These should fairly be paid by those who will most benefit from classification, which, while not legally required, is a practical necessity to adherence to the Madrid Protocol. However, it seems inevitable that filing fees will be paid per class, which will raise the cost of trade-mark filing to all Canadian applicants. There is also concern that the adoption of the Nice Agreement will, at least for several years, lead to many examination issues as applicants, practitioners and examiners become familiar with the system, complicating and probably delaying examination, particularly given that there are already considerable delays throughout the entire period of examination. More information on the implication of classification with respect to issues of confusion during examination, opposition, and litigation is required. Additional concerns relate to the impact the classification system might have on existing agreements and licenses, requiring input from practitioners and trade mark owners as to the actual classification that is used for existing registrations.

Other required legislative and regulatory amendments are less controversial and are discussed below in the detailed analysis on this and other proposals.

II) Canada's Adherence to the Madrid Protocol

A majority of IPIC Committee members believe that potential benefits to most Canadian businesses of access to international filing under the Madrid Protocol do not outweigh the costs necessitated by changes to Canada's trade-mark laws and filing system. The considerable expenses associated with the adoption of the Nice Agreement, and concern that adherence to the Madrid Protocol will encourage a review of Canada's use based registration system have to be balanced with the claimed benefits of simplified international filing arising from membership in the Madrid Protocol. There is still considerable debate about the actual cost savings associated with use of the Madrid Protocol. While some IPIC committee members who work for large international companies feel their companies will benefit, further study of the actual costs and benefits to all Canadian companies, and the impact on current filing procedures to Canadian applicants is recommended before we can effectively comment on the benefits of adherence to the filing procedures of the Madrid Protocol.

III) A New Approach to Use

IPIC believes that there is no justification for changing the Canadian system regarding use, and that in fact, any such proposal would create serious problems for the assessment of trade-mark rights in Canada.

As noted in the CIPO Proposals, there is nothing in either the TLT or the Madrid Protocol that prevents Canada from requiring use before registration. Canada's trade-mark system is based on the requirement that there be use before registration, and use is fundamental to both the acquisition of, and assessment of, rights between applicants and users of trade-marks and trade names. Any concerns that CIPO may have with respect to the implication of Canada's current use-based system on foreign applicants must be measured by addressing the issue of the impact on Canadians of such a change. Fundamental to this assessment is the analysis of common law rights, which are impacted by federal and provincial jurisdiction. The entire body of Canadian case law on trade-marks, dealing with prosecution (at least up to the recent decision in *Procureur Général v. Effigi Inc., du Canada*), opposition and litigation is based on an assessment of rights arising through use. Such a fundamental change would require very careful analysis, and the benefits are not apparent to IPIC at this time.

IV) Other Proposed Changes

IPIC committee members commented on other trade-mark improvements set out in the Proposals, and were in agreement with many of the suggestions for administrative changes to the *Trade-marks Act*. However, each of the committees was invited to make proposals for other amendments, many of which are

considered by IPIC to be of far greater significance to those included in the Proposals. For example, when requested by CIPO to consider possible amendments, IPIC has consistently addressed the issue of s.9, and any amendment to the *Trade-marks Act* should provide for those changes. The recent Federal Court of Appeal decision in *Effigi*, for example, suggests that the language of the *Trade-marks Act* on entitlement needs to be clarified. A full list of the suggestions for other changes is set out at the end of this submission.

DETAILED ANALYSIS

I) The Trademark Law Treaty

A. Nice Classification

As noted above, Canada's adherence to the TLT would require use of the Nice Agreement. Currently, the aim of the TLT is to make trade-mark systems more "user friendly" and to reduce unnecessary technicality or documentation with respect to trade-mark filing systems. The TLT currently has 33 signatories, and we understand that it is also in the process of re-negotiation. Many of the requirements of the TLT are already implemented by the Canadian trade-mark system. IPIC does not perceive that there is significant international pressure on Canada to adopt the TLT.

The major issue with respect to the TLT is the Nice classification system. IPIC is of the view that while the Nice Agreement does provide some benefits, primarily with respect to searching, the cost of implementation of the Nice Agreement will be significant, reasonable time will be required to implement the system, and adherence to the Madrid Protocol should not be done until all issues regarding compliance with the Nice Agreement, and any reclassification that would follow this, have been addressed. The points raised by our committees include the following:

- Implementation of the Nice Agreement is likely to be expensive, since it will require all trade-marks currently included in the Trade-marks Office records to be classified. Furthermore, it is expected that there will be ongoing prosecution issues with respect to classification in the future. The current CIPO computer system will have to be revised. All of the above will involve considerable training for Canadian examiners. As an observation, practitioners noted that in the United States classification issues are frequently raised during examination even though U.S. practitioners have used the Nice Agreement for many years. Accordingly, implementation of the Nice Agreement is likely to result in an ongoing need to deal with classification issues. There is concern that in the future, classification issues will detract from the ability of Canadian examiners to maintain reasonable time frames for examination. Currently, with the considerable delays that now exist in the Trade-marks Office, particularly with respect to reexamination, additional pressure with respect to classification could simply add to these delays.
- Concerns have been raised regarding the implication of classification on in examination, opposition and litigation. While s. 6 of the *Trade-marks Act* currently states that confusion is to be analyzed "whether or not the wares or services are of the same general class", is immediately apparent from a

review of recent case law that similarities in the wares and services are extremely important, and there should be some consensus as to the relevance of classification.

- IPIC believes that current applicants and registrants should be involved in the classification of wares and services, including all pending and registered marks, since classification may have some impact with respect to terms of existing agreements and licenses. Time will be required to obtain the necessary input from trade-mark owners to ensure that classification does not adversely impact the rights under such agreements.
- Practitioners felt that with proper training, and assurances that classification issues will be dealt with consistently in assessing issues of confusion, searching may be simplified with the adoption of the Nice Agreement.
- IPIC believes that the Nice Agreement is neutral in terms of helping or encouraging Canadians to use the current Canadian trademark system, or to file abroad. However, overall, the TLT is not neutral, in terms of the costs and increased technicality arising from classification associated with compliance with the Nice Agreement.
- It is most certain that classification will result in a fee per class system. It should be considered who will most benefit from this system, in order to ensure that costs are fairly allocated. Canadian applicants, who currently file fewer applications in Canada than foreign applicants, also, with some notable exceptions, do not file large numbers of international trade-mark applications. Nevertheless, these applicants will of necessity have to incur the cost associated with the implementation of the Nice Agreement.

B. Other Trademark Law Treaty Issues

CIPPO's letter attached an appendix listing other changes that will be required should Canada adhere to the Trademark Law Treaty. IPIC's committees considered these issues. There was general agreement with the following proposals:

- Amend s. 40 of the *Trade-marks Act* to provide for division of applications.
- Amend s. 31(i) of the Act to delete the requirement for a certified copy of a foreign registration, where the application is based on registration in another country of the union. Some members wanted some evidence to be filed of a foreign registration, but would permit the submission of a photocopy.

- Amend section s. 46 of the Act to provide for initial and subsequent renewal terms of 10 years. It was noted however, that this will increase the cost for registration in Canada, and the benefit to Canadians of this amendment should be considered before proceedings.
- Add to s. 65 of the Act a provision allowing the Governor in Council to make regulations with respect to Canada's adherence to international treaties.
- Amend s.27 and 28(2) of the Regulations requiring drawings to be lined for colour. It was noted that in practice, CIPO is already doing this.
- Amend s. 27 of the Regulations so that drawings would have to be accepted in 8 by 8 cm squares. However, it was recommended that larger drawings be permitted to ensure that fine details on certain drawings not be distorted, and design features are be more visible.

With respect to other proposals, our committees had the following comments:

- Amend paragraph 30(g) of the Act to remove the requirement for representative for service for court proceedings. Concern was raised that CIPO would deem the representative for service and prosecution before the Trade-marks Office to be the representative in a court proceeding, particularly where the representative for service is not a lawyer or law firm. Consideration could be given to amending the regulations to permit applicants to appoint a representative for service for court proceedings as opposed to applications. There was also some support for permitting non-lawyer/non-agents to be appointed as representative for service of a foreign registrant (for example, certain in house trade-mark professionals).
- Amend s. 48(3) of the Act to include limitations on evidence required in support of a request to register a transfer. It was considered that current provisions are satisfactory. It was also requested that the current practice of filing a copy of an assignment (rather than the original) should not be changed.
- The amendment to provide for appointment of agents to cover all existing and future applications and registrations of that applicant was found to be too broad. Applicants may have specific reasons for choosing a representative, and may not wish to have the same representative handle all applications or registrations. Applicants should be required to confirm which representative should handle any particular file. The current system does not seem to raise any difficulties, given both the procedure and fact that there are currently no fees for changing representatives for service.

- With respect to the provision to provide specific protection for trade-marks associated with goods and services exhibited at officially recognized international exhibitions, further information is needed to effectively comment on this. Allowing for such protection negates the concept of use, and adds protection akin to s. 9, which is already a section that IPIC would like to see amended.
- Remove the requirements in s. 7 of the Regulations that all correspondence concerning a registered trade-mark include the application number or trade-mark or that correspondence respecting an application include the trade-mark. Currently, the Trade-marks Office accepts correspondence regarding a registration without including the application number. Other proposals would lead to the potential for error, or increase processing time in the Trade-marks Office if it is not easily possible to determine the appropriate file.
- Amend s. 25 of the Regulations to set out requirements for filing date, as in TLT article 5. IPIC's committees suggest that in order to obtain a filing date, an applicant should be required to supply the mark, the identity of the applicant and its address, the goods and services, and the basis of application.

II) Canada's Adherence to the Madrid Protocol

IPIC believes that the apparent benefits to Canadian applicants of adherence to the Madrid Protocol do not outweigh the likely costs. It is requested that CIPO better clarify these benefits, and ensure that Canadians will be adequately compensated for the potential costs, should we proceed. Those Canadian companies that stand to benefit most are significant international filers, of whom there appear to be few Canadian companies.

In addition, experience from applicants in other countries who currently use the Madrid Protocol suggest that it is only very distinctive trade-marks with simple statements of wares and services that are best suited for the Madrid system, and that there can be significant costs and disadvantages for other applicants. For example, an international application cannot be broader than the goods and services set out in the basic application or registration. As such, it is expected that Canadian applicants will derive little benefit from the Protocol given that the international application would need to be restricted in view of the Canadian requirement that the goods and/or services be defined in ordinary commercial terms. Such applicants would obtain broader protection by filing national applications abroad as opposed to filing an application pursuant to the Protocol.

In fact, use of the Madrid Protocol system in the United States and other common-law countries has been only modest. The cost, to Canadians, of adherence to this system would presumably be borne by all, which seems unfair when relatively few Canadian companies will use the system.

Concerns raised by IPIC members deal primarily with the combination of the costs associated with adoption of the Nice Agreement, already discussed above, potential concerns regarding changes to Canada's use based system, which seem to be considered in tandem by CIPO with Madrid Protocol adherence, and concerns with respect to the likely costs arising from Trade-marks Office procedural changes associated with the adherence to the Madrid Protocol. These will include training of CIPO Examiners, the requirement for new systems to deal with electronic filing and payment of fees, and possible increase in human resources arising from increases in Section 45 and opposition proceedings. There is also concern that the time restrictions imposed by the Madrid Protocol will divert resources from examination of non-Madrid applications, as well as cause even greater delays in secondary examination.

IPIC is also aware of the illusive nature of cost savings promised by adherence to the Madrid protocol when compared with national filings, if points such as central attack, loss of access to local advice before filing, and increased risks and costs of prosecution, opposition and cancellation proceedings are considered.

The Madrid Protocol is best suited to countries with little or no examination, where registration is merely *prima facie* evidence of rights, and substantive trade mark rights are handled post-registration. Such a system will put Canadian applicants at a disadvantage, particularly since many now wait until after use before filing their applications, or in fact don't file at all. There are serious potential problems, including those affecting provincial and federal jurisdictions, that arise in merging common law rights in trade-marks and trade names with registrations issuing pursuant to the Madrid system, especially if Canada changes its criteria for application, and deletes use as a pre-registration requirement.

For the above reasons, further study is strongly recommended, and a better justification of the reasons for adoption of Madrid set out by CIPO. When most Canadians, should they file abroad at all, choose to file in the United States only, or in the United States and the European Union, using the CTM system, the advantages of the Madrid Protocol are not immediately apparent. It goes without saying that simplifying the trade-mark filing system for foreign applicants should not be the major goal of Canada's adherence to the Madrid Protocol.

With respect to the specific legislative and regulatory changes that would arise as a result of Madrid, the first provision set out in the Appendix to CIPO's letter is to amend paragraph 30(a) of the *Act*. That amendment would be necessitated by adherence to the TLT. Even if the TLT were not first adopted, Canada would still nevertheless need to re-classify not only goods and services in new applications, but all applications and registrations (valid, abandoned or expunged) recorded in the Trade-marks Office system.

The second amendment, regarding Section 39(3) of the *Act* is one that would not be welcomed by trade-mark practitioners, particularly since occasionally applications are allowed while there is a statement of opposition or a request for an extension of time to oppose pending in the Office.

Further explanation is required with respect to the proposed amendment to Section 61 of the *Act*.

III) A New Approach to Use

IPIC does not support the proposal to alter Canada's system of use-based trademark rights and registration. It is stated in CIPO's Proposal that the current initiative for again examining the use system is the fact that the Madrid Protocol and the TLT make no provision for any of the use-related information that Canada requires before registration. It should be noted that the Madrid Protocol is a filing system only, and as stated in CIPO's Proposal, there is nothing that would prevent Canada from requiring use before registration. Foreign applicants, who currently file more than half of all applications in Canada, are clearly able to manage the current system with the assistance of Canadian IP practitioners. While CIPO's Proposal suggests the current system possibly puts Canadians at a disadvantage, it was felt by many that replacement of a use-based system with a registration-based system would instead put Canadians at a disadvantage, since many Canadian companies, as noted above, choose not to file trade-mark applications until after use has commenced, if at all. The costs associated with challenging a registration are significant, and will continue to be so regardless of the changes that might be made to the *Act*.

CIPO's Proposal also states that "some would also conclude that the Canadian system is lacking an effective mechanism to clear the Register of trade marks that have fallen into disuse." On the contrary, IPIC believes that Section 45 works well to answer this concern.

The suggestion that requiring declarations of use before registration may encourage certain inequities, since applicants have been easily able to obtain long extensions of time with possible disadvantages to other applicants, could, if truly considered to be a problem, easily be met by stipulating more strictly that extensions will not be granted beyond a specific time (keeping in mind Canada's treaty obligations), and exacting higher fees for longer extensions.

The greatest concern with respect to the CIPO proposals is its impact on current law, both statutory and judicial precedent. This is not a minor change, and will, as noted above, impact trade-mark and trade name rights throughout the country. Such a change cannot be embarked upon without very careful study of the implications on practice, necessary legislative amendments and potential constitutional issues.

IV) Other Proposed Changes

CIPO's Proposal set out a number of other changes under the heading of Trade-mark Improvements. IPIC's committees have considered these and have the following comments:

- **Proposed Use Certification Marks**
There is consensus that this is a proposal worth studying. One question was whether in some circumstances it might be possible to extend this to distinguishing guises.
- **Remove Limitations on the Transfer of Associated Marks**
Many Committee members raised significant concerns regarding this proposal. It was felt that association of marks serves an important role in maintaining the distinctiveness of trade-marks, and dealing with issues of confusion.
- **Removal of the Provisions of Section 14**
There was no consensus with respect to this proposal, some practitioners noting that they were agreeable that foreign applicants meet the same requirements as Canadian applicants, and several suggesting that it should be possible for all applicants to make effective use of Section 12 (2), or that the threshold for registrability under that Section be lowered. One suggestion was to add a provision for "presumed distinctiveness" after five years of use, similar to that found in s. 2(g) of the U.S. Lanham Act.
- **Filing Consent to Overcome Office Objection Based on Confusion**
Some Committee members expressed limited support for this proposal, although many considered that a blanket consent should not be acceptable. Furthermore, there was general disagreement with the proposal to add wording to Section 6(5)(e) of the *Act* to treat a consent as one of the surrounding circumstances in assessing confusion, on the basis that the absence of consent might infer that confusion would arise.
- **Harmonized Standard for Claiming Priority**
There was consensus by Committee members that this was desirable.
- **Non-Traditional Trade-Marks**
IPIC commends CIPO on its interest in moving forward with the recognition that non-traditional trade-marks ought to be registrable. Some Committee members felt that distinctiveness should be required to register such marks, and that further consideration would be required to determine how such marks would be "used", with a flexible definition of use required. Issues regarding depiction of non-traditional marks were recognized, but not felt to be unduly onerous.

- Section 12(1)(b) and the “When Sounded” Test
There was consensus with CIPO’s suggestion of amending s. 12(1)(b) to clarify how the implication of the words “when sounded” applies to design trade-marks. The current Office practice was not felt to be satisfactory.
- Administrative Errors
While IPIC is generally in agreement with this suggestion, further clarification was required regarding the “certain limited circumstances” that might justify the varying or rescinding of certain decision. A concern was raised that such a provision could be used to improperly overturn an Examiner’s exercise of discretion, rather than purely administrative errors.

It was noted that this provision seems to be at odds with the proposed legislative amendment listed under the Madrid Protocol requirements that would prohibit withdrawals from allowance once the International Bureau has been notified that an opposition period has expired without opposition.

- Service on the Registrar
While IPIC is in agreement with this proposal, it was suggested that any amendment ought to provide that after initial service of initiating documents on the Registrar, no further service should be required unless the Registrar indicates that it intends to participate in any appeal.

Additional Changes Suggested by IPIC

While IPIC is happy to comment on the listed proposals for legislative amendment, IPIC has a number of other issues which we feel are of equal, if not greater, importance than those specifically set out by CIPO. Some of the many issues that have been raised include the following:

- Amendments to section 9. IPIC has previously made submissions regarding amendments to s. 9, given that it has lead to major abuses, and continues to be a section that is both cumbersome and awkward. At the very least, amendments should be made to s. 9 to require descriptions of wares and services to be included at the time publication is requested, to permit recordal of assignments, to require renewal, and to provide statutory clarification on what constitutes a “public authority”.
- Give further consideration to the definition of confusion to give greater weight to “famous” trade-marks, and consider whether Canada needs a provision to protect against dilution of famous trade-marks.

- Implement a system to improve the legislative framework to deal with manufacture, importation, distribution and sale of counterfeit products in Canada.
- Amend the definition of “made known” under s. 5 to provide for other types of publicity resulting in a trade-mark becoming known in Canada, including via the Internet, transactions by Canadians outside of Canada, and word-of-mouth.
- Clarify the assessment of entitlement during prosecution, in view of the *Unitel* and *Effigi* cases.
- Amend s. 22 to remove the arbitrary distinction between wares and services under the current law, and clarify the application of the Section.
- Amend s. 7 to clearly apply only to situations involving clear exercise of Federal powers, so as to avoid constitutional issues.
- Clarify the situation with respect to distinctiveness and functionality, (subject to the *Lego* case), to permit a trade-mark that has become distinctive, despite some element of functionality, to be enforceable against third parties.
- Consider broader application of territorially restricted registrations, to permit a more flexible solution of some trade-mark disputes.
- Implement amendments to make Newfoundland registrations subject to the same rules regarding use, renewal and expungement.

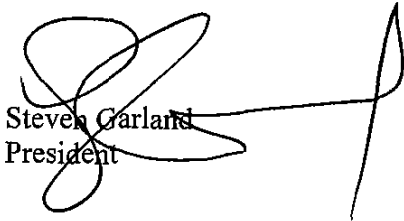
CONCLUSION

IPIC believes that while not perfect, the current trade-mark system serves the interests of Canadian applicants well. It balances local rights with registration, and encourages the use of the registration system. It permits owners of trade-marks and trade names to maintain their rights, and enforce their rights against others, even in the absence of registration. Our filing system provides for rigorous examination, (albeit with certain unfortunate delays), that well serve the purpose of registration under the current system. The CIPO Proposals, including those that deal with the Madrid Protocol, the Nice Agreement, and the TLT, suggest the possibility of a major overhaul of Canadian trade-mark law. IPIC believes the rationale for any overhaul of the Canadian system must be to benefit Canadian businesses and improve the strength and importance of registration in Canada. Changes should be considered from the point of view of benefit to Canadians, as a whole, and not to any particular group of users of the Canadian registration system.

IPIC would be pleased to meet with CIPO to discuss these comments at any time.

Yours truly,

Steven Garland
President

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.