

What happens when they take the "trade" out of trade-marks

On June 19, 2014 Bill C-31 "An Act to implement certain provisions of the budget tabled in Parliament on February 11, 2014 and other measures" received Royal Assent. The Bill, now chapter 20 of the Statutes of Canada 2014, runs to some 380 pages. Among the "other measures" is Division 25 amending the *Trade-marks Act* (the "Act"). Included in the changes is the elimination of the requirement of "use" to obtain registration under the Act. This fundamentally changes the law, and businesses that have not bothered to register important trade-marks would be well advised to reconsider their reliance on common law rights. Since many Canadian jurisdictions do not permit a corporation to adopt a name that is confusing with a registered trade-mark, businesses that are contemplating a re-branding would be advised to get on with that process as soon as possible.

Fortunately, these changes have not yet been declared to be in force, so there is time to take protective measures. While this change may be challenged under the Constitution, if the amended legislation is found to be valid, then the ability to expand the range of goods or services associated with the mark, or the territory in which the business has a right of use may be severely limited.

Classically, a trade-mark has been described as an indicator of the source and origin of goods or services. The Supreme Court of Canada in *Mattel, Inc. v 3894207 Canada Inc.*, [2006] 1 SCR 772 stated that "the legal purpose of trade-marks continues (in terms of s. 2 of the *Trade-marks Act*, RSC 1985, c T-13) to be their use by the owner 'to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or

performed by others'. It is a guarantee of origin and inferentially, an assurance to the consumer that the quality will be what he or she has come to associate with a particular trade-mark (as in the case of the mythical "Maytag" repairman). It is, in that sense, consumer protection legislation."

The Supreme Court of Canada also described the foundational nature of use to the creation of a trade-mark in *Masterpiece Inc. v Alavida Lifestyles Inc.*, [2011] 2 SCR 387: "At the outset, it is important to recall the relationship between use and registration of a trade-mark. Registration itself does not confer priority of title to a trade-mark. At common law, it was use of a trade-mark that conferred the exclusive right to the trade-mark. While the *Trade-marks Act* provides additional rights to a registered trade-mark holder than were available at common law, registration is only available once the right to the trade-mark has been established by use. As explained by Ritchie C.J. in *Partlo v Todd* (1888), 17 SCR 196, at p. 200: 'It is not the registration that makes the party proprietor of a trade-mark; he must be proprietor before he can register.'"

Under the amendments a mark can be registered without it being in use anywhere in the world. In this sense, to call it a "trade-mark" is a misnomer, since there is no "trade" associated with the mark. The mark does not tell the consumer anything about the product or service since no product or service exists. By eliminating the requirement of use, the amendment thus eliminates the consumer protection aspect of trade-mark law.

Innocent conflicts between an existing Canadian business and the owner of a registered trade-mark that is not in use will doubtless arise and test the ability of the courts to arrive a fair resolution of the conflict. Unfortunately, the legislation provides a perfect means by which unscrupulous individuals can harass legitimate businesses by registering that business's common law trade-marks and holding them to ransom. This business model is well developed in the Internet world where the analogous practice is called "cyber-squatting".

There is a limited measure of protection for parties that have begun to use a mark prior to the application for registration made by the party that is not using the mark. Amended s. 21(1) of the Act provides:

If, in any proceedings respecting a registered trademark the registration of which is entitled to the protection of subsection 17(2), it is made to appear to the Federal Court that one of the parties to the proceedings, other than the registered owner of the trademark, had in good faith used a confusing trademark or trade name in Canada before the filing date of the application for that registration, and the Court considers that it is not contrary to the public interest that the continued use of the confusing trademark or trade name should be permitted in a defined territorial area concurrently with the use of the registered trademark, the Court may, subject to any terms that it considers just, order that the other party may continue to use the confusing trademark or trade name within that area with an adequate specified distinction from the registered trademark.

Thus, an existing business with prior use may be permitted to continue that use notwithstanding the registration if it can satisfy the Federal Court that:

1. its use had been in good faith,
2. its continued use is not contrary to the public interest,
3. its continued use should be permitted in a defined territorial area,
4. it is prepared to accept the imposition of terms the Court considers just, and
5. it is able to make an adequate distinction between its mark and the registered trade-mark.

However, failure to satisfy all five of these criteria may be enough to lose all rights to continued use. Even the ability to continue the use is not without its disadvantages as there is no right to expand the goods and services associated with the mark or the territory in which it may be used without accommodating the party that secured registration of the mark.

Any business with unregistered trade-marks that are important to its business would be well advised to start the registration process now, before the changes are declared to be in force, and to consider whether it needs to take any action concerning the name and legal structure of the business. A failure to do so may leave it in the unenviable position of trying to cling onto some remnant of its rights at some considerable expense.

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[a cautionary note](#)

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