



March 15, 2010

Alison Bunting
Canadian Intellectual Property Office
Trade-marks Branch
50 Victoria Street
Place du Portage II
Gatineau (Québec) K1A 0C9

Dear Ms. Bunting,

Re: Proposal to Amend the *Trade-marks Act*

I am writing on behalf of the Intellectual Property Section of the Canadian Bar Association (CBA Section) to respond to the Proposal to Amend the *Trade-marks Act* (Proposal). Thank you for the opportunity to make these comments. We appreciate CIPO's commitment to improving the administrative and legal framework for intellectual property rights in Canada and hope our comments will assist CIPO in creating positive change for Canadians.

It is important to acknowledge the strengths of the existing system. The starting premise of the consultation appears to be that the Canadian trade-marks regime requires significant change, either to conform to the Madrid System or Singapore Treaty. Such change could in fact detract from the benefits of the current system, while increasing its complexity and costs to Canadian applicants. We propose more modest changes to the system that would retain its distinctive benefits as a streamlined and relatively simple process, but update it to current business needs.

Strengths of existing system

There are always improvements and new practices which can augment the existing system. However, we take issue with the statement in the consultation document that Canada has an out-dated trade-mark regime. In fact, the basic structure works well for Canadians and for those filing to protect their marks in Canada, for several reasons:

- **Examination/opposition**

CIPO provides a thorough examination procedure for each potential mark, eliminating it if there are problems inherent in the mark or conflicts with existing marks or rights in the registry system. Examination is followed by an opposition procedure which can eliminate potential marks based on broader rights. Registrations which clear the hurdles of this process are generally accepted as conveying exclusive rights to their owners. This is evident by the small number of court actions questioning the validity of trade-mark registrations. The system provides a strong registered right in a fairly cost-effective, accessible and timely manner.

- **Key concept of use**

Another key component to the existing Canadian system is the concept of “use” of a mark. A person seeking to acquire trade-mark rights in Canada is required to have a real commercial stake in the trade-mark. Common law rights flow from use. A domestic applicant for registration must commence use of the trade-mark in Canada in the normal course of trade, before the registration can issue. A foreign registrant need not have commenced use in Canada, but it must have used the mark somewhere, that is, it cannot merely be the holder of one or more registrations in foreign jurisdictions which lack a use requirement. The use requirements screen out persons who (a) are unwilling or unable to make the investment of time, energy and money to commence use; (b) simply want to block competitors from adopting marks; or (c) wish to traffic in marks rather than use them. In other words, the use requirements in the Canadian system add to the integrity of the registrations which issue.

- **No classification**

Another advantage of the Canadian system is that it avoids the complications of a classification system. Trade-marks Office personnel and trade-mark practitioners are aware of the difficulties involved in classification and the costs associated with this system from foreign IP colleagues and dealings with foreign trade-mark offices. For example, we understand that office actions about classification are issued in over 80% of the applications filed with the US Patent and Trademark Office (USPTO). We would not expect less in Canada, should Canada move to a similar system. This would add tremendously to the costs of prosecuting an application for Canadian applicants. Costs will also be incurred by the Trade-marks Office, as errors and inconsistencies result in the aforementioned office actions.

Under the current system, an applicant is required to provide a description in ordinary commercial terms of its wares or services. The applicant’s rights are defined more exactly by what it does. The issue of confusion, the cornerstone of the trade-mark system, is therefore decided on the merits of each case with respect to all factors, including the inherent nature of the particular wares or services. In a classification system, a registrant may occupy an entire class through its registration and preclude access by others to that class. This is so even if that class encompasses widely different wares or services. Therefore, the question of confusion between a registrant’s mark and an applicant’s mark may never truly be addressed. Even if co-existence within a class is theoretically possible, the examiner or finder of fact in an opposition or other dispute may be influenced by the fact that the parties’ marks are for goods or services within a single class.

While we are keen to improve the current trade-mark laws where needed, we do not want to lose the distinctive benefits and overall value of the Canadian system as it currently exists. Canada possesses a robust registration system where registrants obtain rights that are narrower and more clearly defined than under the systems of many other countries because of the quality of the examination system and the opportunity for third party opposition prior to registration. The US trade-mark protection system also emphasizes the importance of use and confers, after rigorous examination, additional, relatively well-defined rights to registrants. There are meaningful differences between the Canadian and US systems, but both compare favourably in this respect when measured against the registration-driven systems of other countries.

Turning now to the Proposal, our comments follow the same three headings as the CIPO document:

- Updating the Canadian *Trade-marks Act*
- Considering the Madrid System
- Considering the Singapore Treaty

Updating the Canadian *Trade-marks Act*

There are always opportunities to fine-tune the system. For example, the suggestion in the Proposal for recognition of non-traditional marks, such as sound, colour and motion, would assist business practices in today's economy. Accordingly, while we would be pleased to engage in a focussed consultation on ways in which the current regime might be improved, we would be very concerned if CIPO's starting premise is that the current system does not serve the needs of Canadian business. In our view, it does.

Below are a few examples of modifications that would improve the system while retaining its fundamental elements:

- **Amendments or restrictions on section 9 official marks**

Dealing with objections based on official marks can greatly increase the cost of obtaining registration for trade-mark owners. Many section 9 official marks stand in the name of entities that no longer exist or may not qualify as public authorities based on the current interpretation of section 9. Further, many section 9 official marks are no longer in use and yet there is no mechanism, equivalent to section 45, to get rid of deadwood.

- **Simplification of process**

The Act should be amended to simplify the registration of distinguishing guises and to rationalize and simplify the requirements for showing registrability under sections 12(2) and 14.

- **Allow for the amending of applications**

The Act should be amended to permit applicants to add to or change the basis of filing for an application, which would eliminate some of the technical obstacles that arise in oppositions.

- **Electronic documentation/information**

CIPO should continue with its efforts to make more information and documentation available online.

The Proposal suggests a need for more widespread change, to simplify and streamline the trade-marks regime. We do not see a need for significant changes to the current regime, for example, through adherence to the Madrid System or the Singapore Treaty, with the necessary compliance with the Nice Classification system, nor any benefit that would accrue to Canadian business as a result of such change. Without knowing how Canada would propose to apply the Nice Classification system, it is difficult to assess the advantages or disadvantages to Canadian business of adhering to the Madrid System and the Singapore Treaty. However, moving to a classification system would likely result in more cost and complexity, both for applicants and for CIPO. If CIPO wishes to propose significant changes to the fundamentals of the Canadian regime, this should be approached with caution and only after careful study and consultation to fully understand the advantages and disadvantages of the changes. We recommend following up this current round of consultation with more focussed consultations on specific changes that would be required to apply the Nice Classification system.

Considering the Madrid System

Trade-mark practitioners and other stakeholders have been involved in discussions about the Madrid System for some time, without a clear consensus emerging on whether Canada should join. We continue to question whether this would truly benefit Canadian business. As noted in the Proposal:

... the fee structure of the Madrid Protocol is such that the benefits in the reduction of application and renewal fees are directly proportional to the number of countries where protection is sought. In other words, a business seeking to register a trade-mark in only two or three foreign jurisdictions may find the Madrid Protocol more expensive to use than a direct application to each of the national trade-marks offices in each country.

There would also be costs to government if Canada were to join the Madrid System. Under Madrid, all correspondence must be handled electronically, which our system is currently not configured to supply. CIPO would also have to maintain separate systems, one processing applications under the current (non-Madrid) system and another under Madrid. There would have to be a system for outgoing applications as well as incoming ones.

It is our understanding that by far the majority of foreign trade-mark registrations obtained by Canadians are in the US. That is to be expected given the high level of trade between Canada and the US. Similarly, the US accounts for the vast majority of Canadian registrations from outside the jurisdiction. For example, the 2007-08 CIPO Annual Report indicates the total number of applications filed in Canada was 47,586. Of those, 20,841 originated from Canadian entities and 15,404 originated from US entities. The next biggest country was Germany with 1,672 applications. In other words, 36,245 applications (76%) originated in just two countries. Therefore, it seems unlikely that the Madrid System would be more than a marginal benefit to most Canadian applicants.

We encourage CIPO to look closely at the US experience since it joined the Madrid System. In 2008, the USPTO issued 209,904 certificates of registration, up from 150,064 in 2007. World Intellectual Property Organization (WIPO) statistics show 3,864 Madrid registrations issued in 2008 where the USPTO was the office of origin, up slightly from 3,561 Madrid registrations in 2007. Therefore, it appears that only a relatively small percentage of US filers are using the Madrid System. In total, there were only 40,985 registrations issued under the Madrid System in 2008, which itself raises a serious issue as to the extent that businesses find the system useful.

While there may be some benefit to large corporations in using the Madrid System, particularly if they maintain large international portfolios, it appears that the average Canadian business is more likely to be interested in just one or two markets. In these cases, as correctly noted in the Proposal, it will be cheaper for them to continue to file directly. Given the lack of benefit to the majority of the Canadian trade-mark owners, there is insufficient justification for the significant upheaval and cost that the change to the Madrid System would require.

Considering the Singapore Treaty

As noted in the Proposal, the Singapore Treaty is aimed at simplifying and standardizing formalities and procedures relating to the administration of trade-marks. Canada already complies with many elements of the Singapore Treaty, even though it is not a member of the Treaty. To the extent that there are any additional administrative savings or reduced compliance costs, those can be achieved without necessarily adhering to the Treaty itself.

Key elements of the Singapore Treaty include:

- **Division of applications into two or more applications.** This would be a worthwhile initiative within the Canadian regime although there is no need to join the Singapore Treaty to pursue this initiative and achieve the same result.
- **Classification of goods and services in accordance with the Nice Classification.** The treaty requires that the wares and services listed in any registration be grouped according to the Nice Classification and that the Nice Classification numbering system be used. As noted above, we have concerns with the introduction of the Nice Classification system.
- **Term of registration shall be for 10 years.** The current term of a Canadian registration is 15 years. Reducing the term to 10 years will have the disadvantage of increasing the costs of maintaining a portfolio of Canadian registration but it will also have the advantage of more quickly removing marks from the register that are no longer of interest to the owner. While the ramifications of this change warrant further investigation, Canada can make the change without adhering to the Singapore Treaty.
- **Requests for recordal of a license.** Canada does not require recordal of licenses and we see no value in implementing a recordal system.

Accordingly, to the extent that some of the provisions in the Singapore Treaty might be seen as advantageous to Canadian trade-mark owners, those benefits can be achieved without adhering to the Treaty itself. The disadvantage to adhering to the Treaty is the requirement that Canada use the Nice Classification system. Without further information as to how that might be handled in the Canadian context, it is impossible for us to assess the economic impact of such a change.

Conclusion

The CBA Section welcomes this consultation process and hopes to engage CIPO in an ongoing dialogue on ways to improve the Canadian trade-mark regime. However, we reiterate that the current Canadian regime provides a streamlined and cost effective process for Canadian businesses to obtain trade-mark registrations. There are a number of ways to improve the current regime while maintaining its integrity, which we would be pleased to discuss. With respect to the Madrid System and the Singapore Treaty, it is our view that a more focussed consultation on the advantages and disadvantages is required so all stakeholders can have a better understanding of the changes that would be required. Again, we would be pleased to engage in that consultation.

Yours very truly,

(Original signed by Kerri Froc for Alexandra Steele)

Alexandra Steele
Chair, National Intellectual Property Section