MINDEN GROSS LLP

Fall 2014

TOPICS:

MAJOR Changes to the Trade-marks act

Nice and "Use"-less:

After 61 years, the Canadian Trade-marks Act* is being overhauled by the Canadian government in a way that will have significant impact on anyone in Canada who has a trademark, and on anyone intending to apply for one in the future. The changes, currently known as Bill C-31, have passed through parliament and are now only awaiting proclamation, which is likely to occur in 2015.

**One of the new changes is to move from the Canadian spelling "trade-mark" to the more "universal" American spelling "trademark".*

The ostensible purpose of the Bill is to ensure that Canada meets its international trademark obligations outlined in various treaties and to introduce greater efficiencies into the Canadian trademark process. Sadly, trademark practitioners (none of whom were consulted on the Bill's creation) have all but unanimously commented that in the pursuit of these goals, the current bill is likely to create a host of new problems. The new act will change what can be registered, how long it can be registered for, what it will likely cost to register, and how easy it will be to fight someone who registers an opposing mark. Savvy people may rush to register under the old regime while they still can, while others may be waiting in the wings to exploit its weaknesses. Here are some of the reasons why.

New Classification System

The new Bill seeks to impose the Nice* Classification system on the Canadian trademark application process.

For most First World nations, the description of the goods or services to which a trademark relates is divided into 45 classes based on a system known as the Nice Classification system. In order to register a trademark in a country that is a party to the Nice system, as Canada shortly will be, the good or service is classified based on the existing Nice definitions. There is a class for Beers, for example, and all parties applying for a beer trademark will select that class of wares. This obviously makes searching for competing or confusing trademarks easier. It also allows for a prima facie argument that two identical or similar

**As in Nice, France, not "it's nice to see you."*

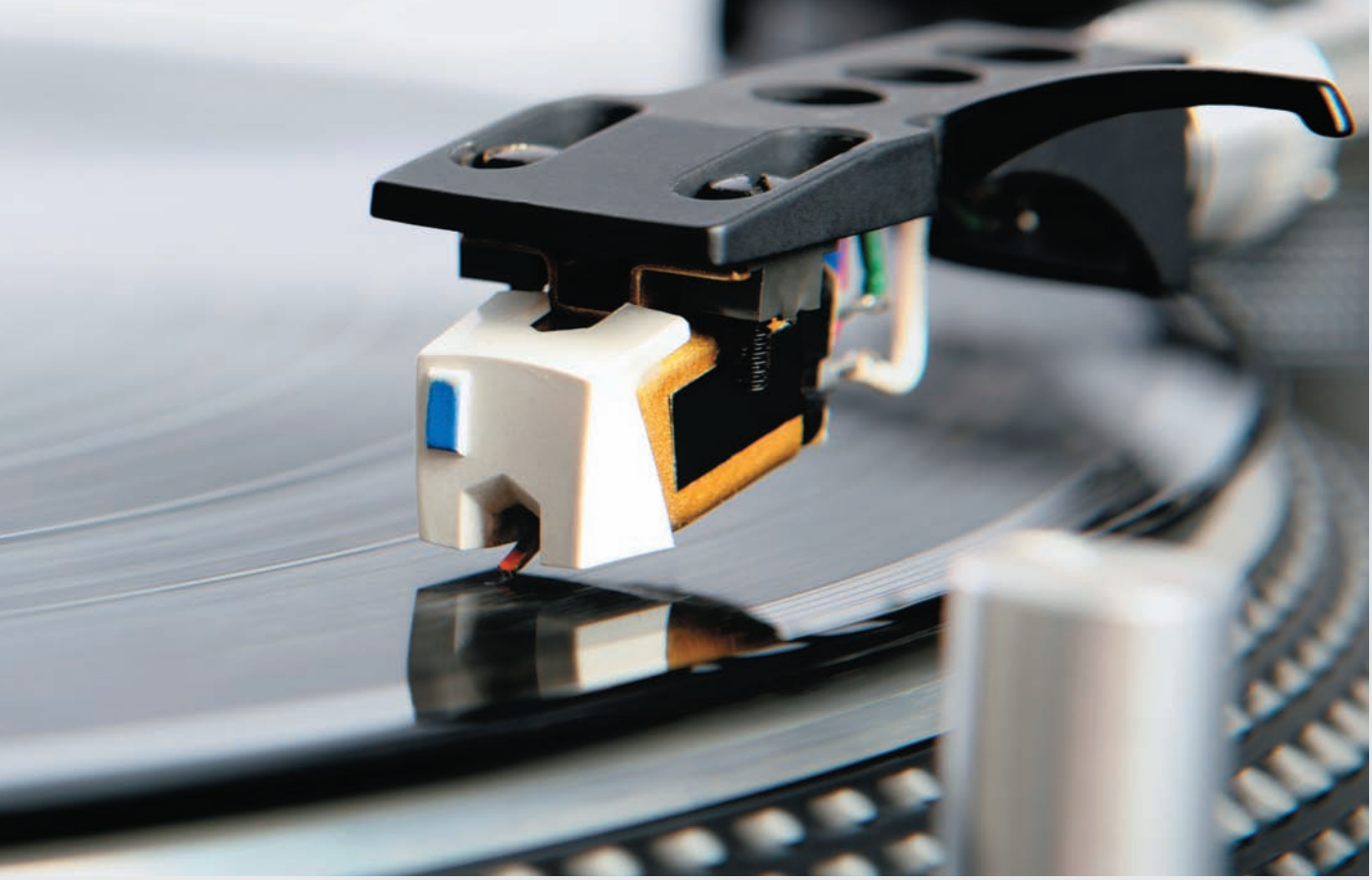
marks can co-exist, if they are each registered only in different classes. Most importantly, it allows for this to be done in multiple countries, since the classifications are uniform in each country. The goods and services that are categorized under Class 12 (Vehicles; apparatus for locomotion by land, air or water), for example, are the same in the US, France, Australia and China, but previously not in Canada.

Currently, goods and services in Canadian trademark applications are not described using the classes defined in the Nice Classification. Instead, Canadian trademark applicants list the goods and/or services in their trademark application using "ordinary commercial terms" and pay a single filing fee regardless of the number of goods and/or services listed. This creates more variety in how trademarks are expressed and keeps costs down. Also, many people find the current Canadian system advantageous, as it allows for parties to make very broad initial registrations in Canada.

Implementation of the Nice Classification is likely to add costs for those seeking to register thereafter. The current electronic filing fee for a trademark application is $250, regardless of how many different wares or services you describe in your trademark application. In most Nice compliant countries, however, you pay per class registered. Whether or not Canada will do so is undecided.

It is also possible that, either at the time of renewal, or otherwise, the trademarks office may require holders of existing marks to reclassify their already registered marks to bring the description of wares into compliance with the Nice Classification system. Hypothetically, everyone who has a trademark in Canada may have to retain counsel to reclassify their marks when the renewal date comes up, if not sooner. Some say the trademarks office may require parties to redraft their trademarks even sooner than that, for example, in response to that party commencing a trademark opposition.

TIP: *If you want to file an application without having to include Nice Classification codes and pay any resulting increase in fees, you should file your trademark application before the end of the first quarter of 2015.*



Colour and Sound

The new amendments will require greater scrutiny of marks based on colour or sound. In the future, in order to register a mark based on colour or sound, you will have to show what is known as "acquired distinctiveness". Under the current regime, there is no such requirement.

> **TIP:** *If you want to register a mark based on colour or sound, it would be advantageous to register marks of this type as soon as possible, to avoid these stricter registration requirements.*

Term Reduction

Another change involves the length of the term of a trademark registration, which has been shortened from 15 to 10 years. This will result in increased costs as trademark applicants will be required to more frequently renew their trademark registrations.

> **TIP:** *If you have a registered trademark and are in a position to renew the registration now, you should do so to claim the benefit of one more 15-year renewal period.*

Removal of the "Use" Requirement

"Use" has been one of the principal components of the protection of a trademark in Canada. Under the current regime, an applicant must, at the time of applying for a trademark, either identify the date it first started using the trademark in Canada, or file a declaration of use prior to the registration of its trademark. The trademark cannot be registered unless the use of the trademark is proven. However, once the new Bill comes into effect, it will be possible to obtain a trademark registration without ever proving that you are using the mark.

While this proposed amendment will simplify and expedite the registration process (seeking proof of use is time consuming for the trademarks office), trademark owners and applicants will be adversely affected by this change.

Removing the use requirement will allow applicants with little or no legitimate interest in a trademark (i.e. trolls) to obtain registration of a trademark.

In addition to encouraging trolls, the removal of proof of use from the registry will make

enforcement more complicated. Until now, counsel could look at the registry to see when a trademark they seek to challenge was first used in order to help counsel determine whether to challenge the mark. However, for trademarks registered after these changes come into effect, there will be no evidence as to the date of first use. Counsel will have to "sue first and ask questions later". Practically, this could mean that a party may discover, after issuing a cease and desist letter, that the party to whom they have written actually has an interest that pre-dates their own! In that circumstance, the party issuing the cease and desist letter may find that it is the party who has to cease and desist!

In addition, the absence of a use requirement, combined with the Nice system, could lead to other abuse. If Canada continues to charge a flat fee, regardless of the number of classes (as some say will be the case), and an applicant is not required to prove use to obtain registration, what is to prevent an applicant from registering each trademark against all 45 Nice classes? It is certainly in their interest to do so, as it makes it much less likely that anyone else will even attempt to apply for a similar mark, against any ware or service, not just theirs.

Under the current system, a person considering applying for a trademark can search the registry. If they find a similar registration, they will know that the trademark was, at least at the time of registration, being used for all of the classes set out in the mark. At that point, they are well advised to reconsider their proposed mark. However, after the Bill comes into force, that same applicant who searches the trademark registry to decide whether to apply for a mark could be deterred by a mark registered against all 45 classes. The system unfairly implies that the mark is being used for all classes of ware and that it is therefore unavailable, when this is not, in fact, the case. Further investigation by the applicant will demonstrate the truth of the situation, but that investigation will incur costs and require time. More likely, the applicant will simply choose another mark for their brand.

In conclusion, while many agree Canada's trademark laws were due for a change, and there are a host of useful and specific changes in the new act, we remain skeptical whether this change was as carefully thought out as it should have been. Regardless, the change is now here, and one way or another, we have to be ready to manage it.

David T. Ullmann
dullmann@mindengross.com

Sepideh K. Nassabi
snassabi@mindengross.com

Firm News

Minden Gross LLP ranked as one of **Ontario's Top 10 Regional** Firms by Canadian Lawyer's *InHouse Magazine*. Lawyers and in-house counsel from across Canada voted Minden Gross LLP as one of Ontario's Top 10 Regional Firms. Respondents' rankings were based on firms' regional service coverage, client base, notable mandates, service excellence, and legal expertise.

Welcome **Carly Caruso** (Commercial Leasing) and **Ryan Chua** (Tax and Business) who joined the firm as Associates.

Professional Notes

Congratulations to **Christina Kobi** who was named a winner of the **Lexpert Zenith Award**, which celebrates Canadian lawyers who have demonstrated excellence, thought leadership, and set new standards for the profession.

Congratulations to **Matthew Getzler**, who was chosen to participate in this year's Joshua Institute for Jewish Communal Leadership - Future Leaders Program. The program offers lectures in leadership theory from the Rotman School of Management with text-based learning by educators from leading educational institutions including the Shalom Hartman Institute of North America and the Wexner Heritage Program.

Congratulations to **Howard S. Black**, **Michael S. Horowitz**, **Stephen J. Messinger**, **Adam L. Perzow**, **Stephen Posen**, and **Reuben M. Rosenblatt, QC, LSM**, for being ranked by their peers as part of the 2015 edition of *Best Lawyers in Canada*.

Congratulations to **Stephen Posen** and **Stephen J. Messinger**, who were acknowledged by Lexpert as two of "Canada's Leading Infrastructure Lawyers" in September 2014.

Kobi Bessin presented "StartUp School - StartUp Law 101" at the Ryerson Entrepreneur Institute on October 1, 2014.

Stephen Posen was part of a panel on "Rapid Fire Legal Roundtable: Hot Trends and Puzzling Issues in 60 Minutes" and **Stephen J. Messinger** moderated a panel on "Negotiating in Today's Market: How to Understand the Deal, Resolve Key Issues and Close the Transaction?" at the RealLeasing Conference held on October 7, 2014.

Hartley R. Nathan, QC, and **Ira Stuchberry** with David Miller of Rogers Communications presented "What Corporate Counsel Needs to Know About Corporate Governance" to members of the Toronto chapter of the Association of Corporate Counsel (ACC) on October 7, 2014.

Joan Jung, **Michael Goldberg**, **Samantha Prasad** and **Matthew Getzler** of the Tax Group presented the webinar "Income Splitting: Opportunities and Pitfalls" on October 2, 2014.

The Fund Library published **Samantha Prasad**'s article "The great Canadian tax-loss hunt" on August 21, 2014 and the follow-up article, "The great Canadian tax-loss hunt continues," on September 4, 2014. Samantha's article "Savings 101: Education tax lessons every parent should learn" was published in August's *The TaxLetter*. She presented "Tax Issues for Canadians Owning & Renting Property in the U.S." to the Canadian Association of Retired Persons (CARP) on September 23, 2014 and "The ABCs of

MINDEN GROSS LLP

BARRISTERS & SOLICITORS
145 KING STREET WEST, SUITE 2200
TORONTO, ON, CANADA M5H 4G2
TEL 416.362.3711 FAX 416.864.9223
www.mindengross.com

Professional Corporations" to the Estate Planning Council of Mississauga on October 20, 2014.

Eric Hoffstein presented "Construction Lien Act" for the Association of Architectural Technologists of Ontario's Fall 2014 Lecture Series on September 28, 2014.

Michael Goldberg presented the Fall session of Tax Talk on September 17, 2014. He published "Sell Now: How the 2014 Budget May Impact Small Business Owners' Exit Strategies" in the 2014-2015 edition of the *CCH Tax Reference Booklet*. On September 4, he spoke on "Israeli Taxation of Trusts" at a breakfast meeting of the Professional Advisory Council (PAC) of the Jewish Foundation of Greater Toronto.

Leonard Baranek spoke on "Limited Recourse and Carve-Out Issues" at the Commercial Mortgage Transactions 2014 seminar held by the Law Society of Upper Canada on September 16, 2014.

Irvin Schein spoke on "Overcoming the Challenges of Managing External Counsel and Techniques for Regulating the Relationship" at the Canadian Institute's Corporate Counsel Development Forum on September 18, 2014. He was quoted in *The Lawyers Weekly* article "Early Intervention: Pre-trial 'hot-tubbing' of experts gaining in appeal" published on September 5, 2014 and published his blog at irvinschein.com.

The Commercial Leasing Group participated in the ICSC Canadian Conference held September 22-24, 2014 in Toronto. **Stephen J. Messinger** was on the Planning Committee.

David Ullmann published a paper on the Nortel Cross Border Allocation trial where the Court is looking to allocate the almost $8 billion in proceeds remaining in the estate between Canada, the US and the UK. The article "Nortel Allocation Trial a Cross Border First – But will it be worth it?" appeared in the *Commercial Insolvency Reporter*, Vol. 265, June 2014.