

A big year for rights holders in Canada

Significant developments in the last year – from case law that allows the registration of sound marks to a bill with important new anti-counterfeiting provisions – could affect the way that all rights holders do business in Canada

There has been significant trademark activity in Canada in the last 12 months. Not only have there been a number of decisions and practice changes of which trademark practitioners should be aware, but the government has also proposed long-awaited amendments to the Trademarks Act. The key changes in the last year are as follows:

- Sound marks are now accepted in Canada;
- A purposive and contextual approach should be taken in a confusion analysis;
- Online services may be considered ‘use’ of a trademark in Canada;
- Clearly descriptive trademarks are being objected to more frequently and design elements may not be enough overcome such objections; and
- For applications based on use and registration abroad, the trademark must have already been in use abroad at the time of filing.

Non-traditional marks now available in Canada

The Canadian Trademarks Office is now accepting applications for sound marks following the Federal Court’s March 2012 decision in *Metro-Goldwyn-Mayer Lion Corp v Attorney General of Canada* (T-1650-10), when it issued an order that MGM’s application to register its distinctive lion roar trademark be approved for advertisement.

This development brings Canada into line with other jurisdictions that accept sound marks. Any applications to register sound marks in Canada will need to prove the acquired distinctiveness of the mark. Applications should clearly state that they are for the registration of a sound mark and include:

- a drawing that graphically represents the sound;
- a description of the sound; and
- an electronic recording of the sound.

Purposive and contextual confusion analysis

The confusion analysis in a Canadian trademark infringement

context should take into account surrounding circumstances and a “purposive and contextual” interpretation of the Trademarks Act. In *Imperial Tobacco Canada Limited v Philip Morris Products SA* (2012 FCA 201), the Federal Court of Appeal set aside the judgment at first instance, which held that Philip Morris’ use of the ROOFTOP design mark in association with cigarettes did not infringe Imperial Tobacco’s rights in its MARLBORO mark, as the packages did not contain that word mark. The Federal Court of Appeal reversed that decision and held that the no-name packages (red, gold and silver versions) infringed Imperial Tobacco’s rights in the registered trademark MARLBORO pursuant to Section 20 of the act.

With respect to infringement, the court looked at the usual factors in determining confusion – the goods and channels of trade were the same. However, the court also held that resemblance may occur in something out of the ordinary, including in “unusual ideas”, and that confusion may be analysed by looking at the surrounding circumstances. Cigarette products are not visible to the consumer at the time of purchase (since they are kept behind the counter and sold only upon request), and there was a significant degree of confusion among consumers about how to ask for the no-name product. A large number of customers associated Philip Morris’ Canadian product with the Marlboro product, despite the fact that the Canadian product did not use the MARLBORO mark. As such, the court held that this association was intentionally conveyed by Phillip Morris by its use of the ROOFTOP design and the omission of a brand name, thereby leading consumers to fill in the blanks.

This decision opens the door to creative arguments on what ideas could give rise to confusion between different trademarks. It is no longer the case that a finding of confusion requires visual resemblance between the marks at issue. Rather, emphasis is placed on the associations that have been created in the consumer’s mind. It seems that the Federal Court of Appeal has had the last word on this issue for now: leave to appeal to the Supreme Court of Canada was denied in March 2013.

Use of a trademark in association with services in cyberspace

Does the display of a trademark on a website in association with services offered anywhere in the world mean that the trademark has been used in Canada under Canadian trademark law? This issue was considered by Justice Hughes in *HomeAway.com, Inc v Hrdlicka* (2012 FC 1467). HomeAway, a US company, had for a number of years advertised on its website real estate owned by third parties looking to rent out these properties. The mark VRBO appeared prominently on the website and was thus visible on computer screens of users in

Canada and elsewhere in the world, though the data was presumably inputted in the United States. In July 2009 Martin Hrdlicka, a resident of Toronto, applied for a Canadian trademark registration for the identical mark VRBO in association with a holiday real estate listing service. The application eventually registered in June 2010. HomeAway brought an application in Federal Court to expunge the registration.

To establish that it had used the mark in Canada, HomeAway relied on the display of the VRBO mark on its website. Consequently, the main issue for the court was whether this constituted ‘use’ for the purposes of the Trademarks Act. Section 4(2) provides that “a trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services”. As Hughes acknowledged, there is very little jurisprudence on the issue of use by computer screen display. He held that a trademark that appears on a computer screen website in Canada, regardless of where the information may have originated from or is stored, constitutes trademark use in Canada. This broad proposition is a significant change to Canadian trademark law and will likely make it easier for web-based businesses outside Canada to claim trademark use in Canada. However, the court’s analysis appears also to rely on linkage of the actual offering of services in Canada, which would be a limitation on the court’s broad statement. An appeal has already been filed and it is likely that the Federal Court of Appeal will clarify and limit any sweeping interpretations later this year.

Be aware of clearly descriptive trademarks

In Canada, marks that are clearly descriptive or misleadingly descriptive of the associated goods or services, or of the conditions of or the persons employed in their production or of their place of origin, will be refused registration pursuant to Section 12(1)(b) of the act. The rationale is that a business should not be given a monopoly over commonly used words, as this would put its competitors at a disadvantage.

The Federal Court of Appeal considered this issue when it refused the Ontario Teachers’ Pension Plan Board’s application to register the mark TEACHERS for use in association with the “administration of a pension plan, management and investment of a pension fund for teachers in Ontario”, on the basis that it was clearly descriptive of the associated services (*Ontario Teachers Pension Plan Board and the Attorney General of Canada*, 2012 FCA 60). The appellate court held that in the context of the services, the mark suggested that the pension plan was for teachers and thus the meaning was plain, self-evident and clearly descriptive.

Objections based on the mark being clearly descriptive or deceptively mis-descriptive have become increasingly common. Therefore, care must be taken to avoid applying for such marks. When considering a mark with a design element and a potentially descriptive element, applicants should ensure that the design element is a prominent, if not dominant feature.

Registration and use abroad basis requires use abroad prior to filing

Canadian trademark applications require at least one valid basis for registration. These are usually:

- use in Canada;
- proposed use in Canada; and
- use and registration abroad.

The use and registration abroad basis, pursuant to Section 16(2) of the Trademarks Act, has the advantage of allowing foreign applicants to register their marks in Canada before use has actually

commenced. However, this requires that the trademark be ‘used’ abroad at the time of filing in Canada. While there has been debate as to whether use abroad is required at the time of filing (or whether use before advertising the application can cure any such deficiency), the Federal Court has now held that such use is required.

Justice Manson held that it is important to ensure that there is in fact proper qualifying use of a trademark where there is reliance upon the registration and use abroad claim. In *Thymes, LLC v Reitmans (Canada) Limited* (2013 FC 127), the application had been filed on the basis of use and eventual registration in the United States despite the fact that there was no use there as of the Canadian filing date. The Federal Court upheld the Opposition Board’s rejection of the application on the basis that there was no use in the United States at the time of the application. The judge held: “There is no doubt a proper reading of that section requires that, at the time of filing the application, if an applicant relies on registration or application and use abroad pursuant to that section, there must have been use of the trade-mark at the time of the application to rely on this section as a valid basis to obtain registration in Canada.”

This case highlights the importance of ensuring that the mark has already been in use in the foreign jurisdiction when relying upon the use and registration abroad basis in a Canadian trademark application. In addition, practitioners should include one or more additional bases for filing so that the application can still proceed on an alternate basis in case one is held to be invalid. In the meantime, we expect that this decision will be appealed to the Federal Court of Appeal.

Amendments to the Trademarks Act

On March 1 2013 the Canadian government introduced significant proposed changes to the Trademarks Act through Bill C-56, which is largely aimed at adding new remedies and border measures to strengthen anti-counterfeiting measures. Some of the key changes proposed include:

- enhancing border and customs enforcement and adding criminal provisions and fines of up to C\$1 million or imprisonment for up to five years;
- broadening the nature and scope of trademarks to include non-traditional marks, including sounds, scents and textures;
- removing the term “distinguishing guise” from the act and allowing three-dimensional marks, provided that they have acquired the requisite distinctiveness;
- removing the limitations on distinguishing guises and in their place, codifying the doctrine of functionality; and
- allowing divisional applications.

Given the developments in the last 12 months, there will be much to look forward to in 2013: several key decisions from the last year are under appeal and there will be much debate about the proposed changes introduced by Bill C-56. The broadening of the definition of ‘trademarks’ and the augmentation of border enforcement and addition of criminal provisions to combat counterfeiting activity will greatly assist rights holders in Canada. [WTR](#)

Henry Lue is a partner and **Sangeetha Punniyamorthy** a lawyer at Dimock Stratton LLP
HLue@Dimock.com
SPunniyamorthy@Dimock.com