STIKEMAN ELLIOTT

Intellectual Property Update

May 2003

U.S. accession to Madrid Protocol presents opportunities and problems

LEGISLATION HAS BEEN PASSED in the United States authorizing the accession of the U.S. to the *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks* (the "Madrid Protocol"). If the U.S. meets all pending deadlines for formalizing its accession, the benefits of the "Madrid System" will become available to U.S.-based trademark owners as early as November 2003.

The Madrid System has been described as "one-stop shopping" for international trademark protection. It allows owners of trademark applications or registrations in their home country (i.e. the country where the owner is a national, or is domiciled, or has a real and effective industrial or commercial establishment) to file an International application on the basis of the home-country application or registration. Accession to the Madrid Protocol by the U.S. will benefit U.S. trademark owners by throwing open a large number of countries in which they will be able to inexpensively secure protection for their trademarks.

The process of International registration is relatively simple and cheap. The International application designates the other Madrid Protocol countries in which protection is desired. It is filed at the applicant's national trademark office: in the case of U.S. applicants, this would be the United States Patent & Trademark Office (USPTO). The national office then forwards the International application to the International Bureau of the World Intellectual Property Organization (WIPO). WIPO issues an International registration for the trademark, publishes the mark in the International Gazette, and forwards the application to the trademark offices of the designated countries for examination pursuant to their national laws. The national offices have up to eighteen months in which to refuse to register a mark, and there is also provision for an opposition period of up to seven months. If a national office refuses to register a trademark, the owner of the trademark may take whatever action is allowed under the laws of that country to overcome the obstacle to registration.

An International registration, which may be renewed every ten years, is initially dependent on the validity of the home country registration. If the home registration is cancelled within five years of its issuance, the International registration

OTTAWA
MONTREAL
TORONTO
CALGARY
VANCOUVER
NEW YORK
LONDON
HONG KONG
SYDNEY

Canada's Global Law Firm
www.stikeman.com

will also be invalidated. The owner of the cancelled International registration does, however, have the option of transforming his protection in the designated countries into national applications, with the benefit of maintaining the original filing date. Five years after the date of the issuance of an International registration, it will become independent of the home country application or registration.

In light of these advantages, Canada may come under increasing pressure to join the Madrid System. However, the Madrid System poses some difficulties for common law countries such as the United States and Canada. In common law countries, trademark rights arise by use of a mark in commerce. In contrast, the Madrid System follows the principles of most civil law jurisdictions (such as Europe), which hold that trademark rights are acquired by registration.

In addition, most civil law countries permit the goods and services set out in a trademark registration to be described in broad language. In civil law countries, a trademark owner can register a mark in association with entire classes of goods or services, even if the trademark has not been used in association with all of them.

This is not the case in either Canada or the United States, which limits trademark registrations to the goods and/or services actually being sold under that trademark. Not surprisingly, Canadian and U.S. trademark owners generally register their marks for use in association with a much narrower range of goods and/or services than owners of trademarks in other countries.

Even without the Madrid System, however, trademark owners from civil law jurisdictions can obtain registrations in Canada or the U.S. that contain broad descriptions of goods and services, based solely upon their home country registrations. Such registrations are enforceable for at least five years in the U.S. and three years in Canada, without commercial use of these trademarks in the respective countries.

However, the Madrid System will change the intellectual property landscape by bringing U.S. protection within the reach of smaller enterprises. Securing U.S. protection through the Madrid System will be much cheaper than obtaining an independent U.S. registration under the existing system. The result will be an increase in the number of trademarks enforceable in the U.S., particularly by businesses and persons not seen in that market before. Canadian and American enterprises that fail to take defensive measures may soon find themselves foreclosed from using or registering commercially valuable trademarks in the U.S. market, if only because of the expected increase in marks entitled to protection there.

The USPTO can only reject new marks on the basis of confusion with already registered marks or those whose registration is pending at that Office. Businesses active in the U.S., or likely to be active there within the next several years, should conduct internal reviews to identify their most commercially valuable trademarks and ensure that they are protected. If the marks are not registered, consideration should be given to filing applications to register them at the USPTO prior to the introduction of the Madrid System in the U.S.

Even if a mark is not yet in use, both Canada and the U.S. allow entities to protect their rights by filing applications based on an intent to use a trademark. While a Certificate of Registration will not be issued in either country until use of the mark has begun, the filing of an application will give the applicant rights against many other persons who subsequently file applications for confusingly similar marks. Canadian applicants can preserve their rights to use a mark in both Canada and the U.S. by filing an application to register it at the Canadian Intellectual Property Office, followed by an application at the USPTO within six months.

Owners of official marks face new risks

AS REPORTED in the December 2002 IP Update, official marks have become harder to obtain. Recent jurisprudence has defined a "public authority" under subsection 9(1)(n)(iii) of the *Trade-marks Act* as an entity that is subject to a degree of governmental control that is sufficient to enable the government, directly or through its nominees, to exercise a degree of ongoing influence in the body's governance and decision-making.

This is a significantly narrower definition of "public authority" than had been previously used by the Registrar of Trade-marks to recognize official marks. In the past, official marks were published at the request of professional bodies, charitable organizations, sports associations, religious groups and community groups. Many of these owners of official marks likely do not qualify as public authorities under the new test.

This raises two risks for owners of official marks. First, new applications for official marks may be challenged. It is now clear that the decision of the Registrar of Trade-marks to publish an official mark may be challenged by judicial review, by anyone "directly affected" by the matter. For example, the Canadian Jewish Congress was granted standing to challenge the publication of a Menorah Design mark, as the publication of that official mark would have prevented the Canadian Jewish Congress from displaying the menorah (which is a distinctively Jewish symbol) in association with its activities.

Second, for marks already published, there is a risk of challenge. Section 55 of the *Trade-marks Act* states that the Federal Court has jurisdiction to entertain any proceeding for the enforcement of any provision of the *Trade-marks Act,* or of any right or remedy set out in the *Trade-marks Act*. Rule 64 of the *Federal Court Rules* allows the Court to make a binding declaration of right in a proceeding, whether or not any consequential relief is claimed. In *Sullivan Entertainment Inc.* v. *Anne of Green Gables Licensing Authority,* the Court confirmed that these provisions gave it the jurisdiction to entertain an action seeking a declaration that the defendants were not entitled to, and could not assert, the benefits conferred upon public authorities under Section 9 of the *Trade-marks Act* because they did not possess the necessary attributes of a public authority.

Entities with official mark registrations may wish to obtain advice as to whether they would be considered to be public authorities under the new test. If not, such entities may well wish to file regular trademark applications, based on use, to protect their official marks. Although filing an application to register an official mark as a trademark has the drawback of flagging potential unenforceability, the benefits of the reliable protection offered by a conventional trademark registration outweigh the risk of merely hoping that an official mark will remain unchallenged indefinitely.

Trademark registration may not be sufficient to protect distinctive characteristics of free publications

IT IS NOW COMMON for many enterprises to distribute free publications (whether on paper or by electronic transmission) to their clients. A recent decision under Section 45 of the *Trade-marks Act* serves as a reminder that the display of a word and/or symbol on a free publication may not necessarily be considered "use" (as defined by the *Trade-marks Act*) of the word and/or symbol as a trademark in association with publications. The present test appears to be quite narrow, and appears to require that the distributor make some direct profit from the distribution of the publication.

In *88766 Canada Inc.* v. *Barlow, Menard & Associates*, the Registrar of Trade-Marks had to determine whether a registered trademark had been used, by the registered owner, during a certain three-year period. If not, the trademark registration would be expunged. The evidence submitted showed that the registered trademark,

THE TRADEMARKER & DESIGN, had been used on a newsletter which was distributed free-of-charge via the Internet to a trademark agency's clients and potential clients.

While the primary reason for rejecting the evidence was that the use of the registered trademark had not been by the registered owner, the hearing officer went on to add that even had that not been the case, the trademark would have been expunged, for the evidence did not constitute "use" (as defined in the *Trade-marks Act*) of the trademark in association with periodical publications.

The hearing officer noted that there was no evidence that the trademark had been used "in a commercial context" in association with the publication. The free distribution of the publication was not done with a view to gaining profit through, for example, the sale of advertising space or in anticipation of securing orders and sales of the publication, and thereby acquiring profits from it.

The hearing officer concluded that the publication bearing the trademark was used in the context of a service for keeping clients informed of changes in various trademark procedures, rather than in association with publications in a commercial context.

The requirement for a direct profit-making motive is consistent with the 1995 decision of the Federal Court in *Gowling, Strathy & Henderson* v. *Royal Bank of Canada.* In that decision, the Federal Court found that the internal circulation of a bulletin by the Royal Bank of Canada did not constitute use of the registered trademark INFORMACTION in association with the wares set out in the trademark registration, which were described as "printed publication[s], namely a consumer services bulletin relating to banking published from time to time."

If a free publication cannot be directly linked to trade or profit, its distributor should consider protecting the distinctive features of the publication by means other than a trademark registration for wares. Options which could be explored include investigating whether the trademark registration should encompass services as well as wares. Moreover, if the distributor is a university or qualifies as a "public authority" under Section 9(1)(n)(iii) of the *Trade-marks Act*, it can request that the Registrar of Trade-marks publish notice of its adoption of an official mark in the Trademarks Journal. Otherwise, a "logo" or symbol (or even design of the publication) could qualify for registration as an "artistic work" under the Canadian *Copyright Act,* which could provide a means of deterring unauthorized reproduction.

Stikeman Elliott LLP Intellectual Property Group

If you require further information about the contents of this newsletter; please contact any of the following:

OTTAWA

Stuart C. McCormack **(613) 566-0526**
smccormack@stikeman.com

Kim D.G. Alexander-Cook **(613) 564-3471**
kalexandercook@stikeman.com

Mirko Bibic **(613) 566-0537**
mbibic@stikeman.com

Jonathan A. Blakey **(613) 566-0532**
jblakey@stikeman.com

Nicole Brousseau **(613) 566-0525**
nbrousseau@stikeman.com

D. Jeffrey Brown **(613) 564-3472**
jebrown@stikeman.com

Eugene Derenyi **(613) 566-0544**
ederenyi@stikeman.com

Roula Eatrides **(613) 564-3465**
reatrides@stikeman.com

Vicky Eatrides **(613) 564-3475**
veatrides@stikeman.com

David Fewer **(613) 564-3457**
dfewer@stikeman.com

Randall J. Hofley **(613) 566-0540**
rhofley@stikeman.com

Nicholas McHaffie **(613) 566-0546**
nmchaffie@stikeman.com

Justine Whitehead **(613) 566-0541**
jwhitehead@stikeman.com

TORONTO

Richard A. Brait **(416) 869-5541**
rbrait@stikeman.com

Kathryn Chalmers **(416) 869-5544**
kchalmers@stikeman.com

John Judge **(416) 869-5503**
jjudge@stikeman.com

Alison J. Youngman **(416) 869-5684**
ayoungman@stikeman.com

MONTRÉAL

Stuart (Kip) Cobbet **(514) 397-3266**
scobbett@stikeman.com

Peter Castiel **(514) 397-3272**
pcastiel@stikeman.com

Hélène Deschamps-Marquis **(514) 397-3029**
hdeschampsmarquis@stikeman.com

CALGARY

Stuart M. Olley **(403) 266-9057**
solley@stikeman.com

STIKEMAN ELLIOTT

This newsletter provides general commentary only and is not intended as legal advice.
© Stikeman Elliott LLP