

Bicyclette™ or Bicicleta™?



Licensing Trademarks in Canada

Failure to comply with the statutory licensing requirements in Canada can result in the loss of trademark rights through a section 45 proceeding, an opposition or an expungement action.

A trademark owner can license its trademark in Canada if the user is licensed by or with the authority of the owner and the owner has, under the licence, direct or indirect control of the character or quality of the wares or services associated with that mark.

1. The use must be licensed by or with the authority of the owner.

The licence does not have to be in writing, but if the facts or other supporting documentation are not sufficient to establish that the use is properly licensed by or with the authority of the owner, the registration may be at risk of cancellation.

In *Unitel Communications Inc. v Bell Canada*, Unitel successfully cancelled a number of Bell Canada's trade mark registrations because Bell was unable to show that the many provincial telephone companies who were using those marks were authorized to do so under licence. The court rejected the "traffic agreements" proffered by Bell as evidence of revenue sharing arrangements only and not proper licences under which it could exercise the requisite control.

2. The owner must have direct or indirect control over the character of quality of the wares or services associated with the trademark.

Direct control means that the owner directly controls the character or quality of the wares or services associated with the

The French Connection

The fact that Canada has two official languages - English and French - can pose special challenges in the trade mark area.

A registrability search, for example, may disclose a description of the wares and services in French rather than English. If you are not fluently bilingual, a conflict can go undetected. Oppositions or responses to oppositions may also be filed in French. This means translation services may be required, which adds to the costs for your client.

There are also some telling differences in the examination process.

Section 12(1)(c) of the Trademarks Act provides that "*a trade mark is not registrable if it is not...the name in any language of any of the wares or services in connection with which it is used or proposed to be used.*" For example, neither the French word "bicyclette" nor the Spanish word "bicicleta" nor the German word "fahrrad" or its phonetic equivalents would be registrable for "bicycles". This is common practice in many countries.

Contrast this with the prohibition in section 12(1)(b), which is specifically restricted to English and French:

12(1) Subject to section 13, a trademark is registrable if it is not (b) whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French language of the character or quality of the wares or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their product or place of origin;

For example, the word ACIDE for "candies" is likely unregistrable because it means "sour" in French and is therefore either clearly descriptive or deceptively misdescriptive that the candies are sour. However, changing the spelling from ACIDE to ACIDO (which means "sour" in Italian) may well avoid the prohibitions in both 12(1)(b) and (c) since it is not the name for "candy" in any language, or it is either "clearly descriptive" or "deceptively misdescriptive" in either English or French of any character or quality of the wares.

In other words, a word mark which is either a noun or an adjective in English or French and the name of the wares or services or "clearly descriptive" or "deceptively misdescriptive" of those wares or services will be unregistrable. However, if it is a foreign word in a language other than English or French and used as an adjective and not as a noun (ie, the name), it may not be objectionable unless it runs afoul of another prohibition under the Act.

Finally, to make things a bit more difficult, whether one trademark is confusing with another must be determined from the perspective of both the average English speaking



Section 45 Proceedings - Use It or Lose It

If the owner of a registered Canadian trade mark does not continuously use the mark as registered, it can be cancelled under what is known as a Section 45 proceeding.

The purpose of this procedure is to remove “deadwood” from the Register and may be initiated by anyone against any trademark registration which has been on the register for three years by filing a request with the Registrar. You do not have to establish any interest in the mark to do this.

If the registered owner does not respond or is unable to provide affidavit evidence of use during the three years preceding the date of the Section 45 notice, the registration is automatically expunged. If the owner can show use for some but not all of the wares or services covered by the registration, the registration will be restricted to those wares and services for which use has been shown.

There are certain situations where a mark that is not being used can be maintained, ie, where the Registrar is satisfied that the lack of use was beyond the control of the owner and there was bona fide intention to use the mark (eg. awaiting regulatory approval, difficulty finding supplier).

A Section 45 request is useful where a preliminary search for a proposed mark turns up confusingly similar registered mark, or where that prior registration has been cited against your application. Rather than risk an objection or having to file an argument to overcome confusion - which can now take up to 24 months to be reviewed by an examiner (and possibly used against you in future oppositions) - a Section 45 proceeding can, for a minimal cost, expunge a cited registration in about eight months and clear the way for your application to move forward. Section 45 proceedings can also be useful during an opposition proceeding to challenge registrations relied upon by the opponent.

In summary, a registered trademark must be used continuously or risk cancellation at any time after three years from the date of registration. This is particularly important to note in the case of foreign owners who have obtained trademark registrations without actual use of the mark in Canada.

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Licensing Trademarks in Canada (cont'd)

mark - eg, stipulating quality standards, providing the specifications, monitoring production, inspecting the manufacturing premises, approving samples, setting guidelines for proper use, following up on complaints, and so on. Indirect control means appointing a representative or agent to carry out those tasks.

Merely having an express right to control under the licence is not sufficient - the owner must exercise actual or *de facto* control. It is important to note that there is no legal presumption of control simply because the licensed trademark user is a wholly-owned subsidiary or related company of the trademark owner unless there is evidence that the owner actually directed the activities of its subsidiary with respect to the mark. Share ownership itself is not enough.

In *MCI Communications Corp. v MCI Multinet Communications Inc.*, for example, the US parent company failed to establish a licence between itself and its Canadian subsidiaries under which it exercised the requisite control over the character and quality of the services which they offered in association with the trade marks. The court took the position that there must be licence agreements in place, even between related companies, and evidence of control of the use of the marks by the subsidiaries relating to the character and quality of the services which they offered.

There is, however, a presumption of control if public notice is given of the identity of the owner and that the use is a licensed use - eg, “COCA-COLA is a registered trademark of the Coca-Cola Company. Used under licence.” - but this is rebuttable, ie, if the party challenging the mark can show that there was no authorized use under licence or that the owner did not exercise adequate control, public notice alone is no guarantee of compliance.

As a practical matter, it is better to ensure - especially where a non-Canadian parent company permits its Canadian subsidiary or related company to use a registered trademark - (a) that there is a written licence agreement in place authorizing such use, (b) that the owner has, under the licence, the right to control and actually does control that use, and (c) that there is public notice of the identity of the trademark owner as well as the fact that the use is a licensed use.

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The French Connection (Cont'd)

consumer and the average French speaking consumer, and not just the former.

US and foreign applicants should therefore be aware that, when it comes to trademarks in Canada, French has the same status as English, and that there are some complications which could arise from our bilingual requirements.

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