

Essential Differences Exist Between Canada and the USA

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Branding is a key element of any successful franchise system, and registering and enforcing trademarks is a key element of protecting an important brand. Canada and the United States have similar systems for registering and protecting trademarks, but important differences exist that might pose a trap for the unwary. Franchisors on one side of the 49th parallel who are considering expanding to the other side should be aware of these differences, both to avoid pitfalls and to be able to communicate clearly with trademark advisors.

Similarities

The underlying trademark laws are similar in Canada and the United States, as both have their origins in British trademark law. Both countries have trademark legislation (the Lanham Act in the United States, the Trade-marks Act in Canada), and both recognize "common law" unregistered trademark rights in certain circumstances.

There are also several important similarities in trademark procedures. Applications to register trademarks in both countries must describe the relevant products or services and set out the basis of the application. An application with an earlier filing date has priority over a later application, although prior use rights are relevant in opposition proceedings and litigation. And both countries are members of the Paris Convention, so applicants who file a Canadian or American application can file in the other country within six months and claim priority as of the first filing date, provided they meet certain residency and other requirements.

The general filing and registration procedures are similar as well. Filed applications are reviewed by a trademarks examiner for meeting the formal requirements, confirming that the products and services are clearly and properly described and that there are no pre-existing registrations or applications that pose a bar to registration. If the examiner does not make any objection, or if the applicant successfully overcomes any objection, the approved application will be published so that interested third parties can oppose the application if they wish. If there is no opposition (or if the applicant succeeds in an opposition), the mark will be ready for registration. Applications based on prior use or on foreign registration (and, in Canada, foreign use) will be registered upon payment of the final registration fee. Applications based on proposed or intended use will stay pending until the applicant files a formal document confirming the applicant has used the trademark in association with all the products and services listed in the application. The applicant can also abandon any products and services not used with the mark, and register the mark only in association with the remaining products or services.

Despite these similarities, however, there are several important differences in the Canadian and U.S. trademark procedures.

Essential Differences

- **Federal Registrations.** In the United States, trademarks can be registered in each state and a federal registration is only available if a mark is (or will be) used in interstate or international commerce. In Canada, marks may only be registered federally, and federal registration is permitted even if the mark is (to be) used in one province or territory only.
- **Classes.** In the United States, goods and services fall into different classes, and applicants must pay a filing fee for each class applied for (\$375 per class; less for online applications). Canada does not use a classification system, and applicants pay one filing fee only (\$300 Cdn), regardless of how many goods or services are claimed.
- **Basis of Application.** U.S. applications can be based on (i) prior use of the mark in commerce, (ii) intention to use the mark in commerce, or (iii) an existing foreign trademark registration. Canadian applications can be based on the same factors, but the "foreign registration" basis also requires the applicant to have already used the mark somewhere outside of Canada.
- **Use.** Trademark rights depend on "use" of the trademark, but the concept is slightly different between Canada and the United States. The U.S. principle is "use in commerce" – i.e., the transfer of products or the performance of services in association with the mark in interstate or international commerce. The Canadian principle of "use" is defined in the Trade-marks Act – a mark is deemed "used" in association with wares (goods) if it is marked on the wares or their packaging or is otherwise associated with the wares at the time of the transfer of property in or possession of the wares in the normal course of trade, and is deemed "used" in association with services if the mark is used or displayed in the performance or advertising of those services.
- **Opposition Period.** In the United States, applications can be opposed up to 30 days after being published. The Canadian opposition period is two months after publication.
- **Term and Renewal.** U.S. registrations last for 10 years and can be renewed for further 10-year terms. The Canadian initial registration and renewal terms are longer, 15 years each.
- **Evidence of Use.** In the United States, a trademark owner must file an affidavit of use between five and six years after registration and at renewal time. In Canada, trademark owners do not need to provide evidence of use unless required by the registrar (which typically happens only upon the request of a third party, and such requests can only be made after a mark has been registered for three years).
- **Licensing.** In the United States, use of a trademark by a corporate parent or subsidiary does not require a formal licence, and there is an assumption of control by the trademark owner. In Canada, however, any use of a mark by a third party, including a corporate parent or subsidiary, must be formally licensed in accordance with section 50 of the Trade-marks Act or the trademark registration may be jeopardized. Proper licensing structures can sometimes be inferred from actual circumstances, but it is safer to have a written licence agreement within a corporate family.
- **Name Style:** As you have seen, in Canada the hyphenated word "trade-mark" is used whereas the unhyphenated word "trademark" is used in the United States.
- **Supplemental Register.** In the United States, surnames or descriptive marks can be registered on the supplemental register. Canada does not maintain a supplemental register, and such marks must be distinctive to be registrable (which may be difficult to show).
- **Divided Applications.** In the United States, applicants whose applications include both "prior use" and "intended use" products or services can "split off" and register a separate application covering the various "prior use" elements, while the original application with the remaining "intended use" elements continues. In Canada, an applicant can only apply to register the "prior use" elements and must transfer the "intended use" elements to a separate application.
- **Service Marks.** The United States sometimes distinguishes between "service marks" (marks used to distinguish services) and "trademarks" (marks used to distinguish products). Canada uses the general term "trade-mark" for all marks, whether they are associated with products, services or both.

The United States and Canada have a similar overall approach to trademarks, but their respective procedures and requirements have differences. Some of the differences are minor while others are more significant. In any event, franchisors who operate (or are considering operating) in both Canada and the United States should familiarize themselves with each country's trademark and branding practices and procedures to understand how to protect key brands in both countries.

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