

Plain Packaging Questionnaire

National Group: Canada

Contributors: Auerbach, Jonathan
Ashton, Toni

Date: August 16, 2013

Questions

Please answer the following questions. For each of questions 1) – 10) below, please answer in relation to your country's national laws including any constitutional law.

- 1) If the general conditions of registrability are met, does the product or service in relation to which a trade mark is used or proposed to be used have any effect on the ability to:

- (a) Register the trade-mark; and

No, the same process of registration applies to commercial trade-marks used in association with all wares and services. The regulation of potentially harmful substances is effected through other legislation in Canada.

The prohibitions regarding trade-mark registration, as provided for in the Canadian *Trade-Marks Act*¹ (the "Act") govern the types of trade-marks which may and may not be used as well as the conditions for registrability. While some prohibitions in these sections govern the types of trade-marks that can be obtained for certain wares, the prohibitions always deal with the registrability or validity of the trade-marks themselves rather than the wares or services in association with which the trade-marks are to be used.

- (b) Use it once so registered?

Per the same sources and prohibitions listed in the response to question 1 (a) above, there are no prohibitions against using a registered trade-mark which arise purely from the wares or services in association with which the trade-mark is used.

¹ *Trade-Marks Act*, RSC 1985, c T-13, ss 7-15.

2) What rights are derived from trade-mark registration?

Under the Act, registration gives an owner the exclusive right to the use of the trade-mark throughout Canada in respect of the wares and services listed in the registration.² Registration lasts for 15 years and is renewable every 15 years after that. Registration is *prima facie* (direct) evidence of ownership. In a dispute, the registered owner does not have to prove ownership; the onus is on the challenger.

3) What rights exist in relation to a sign used as a trade-mark but not registered?
What is the basis of any such right?

Unregistered trade-marks are protected in two ways in Canada. They are protected by the law of passing off in any of the common law provinces or territories, or by the law of *concurrency déloyale* or *substitution* in the province of Quebec. They are also protected by the Act, which codifies the common law action of passing off and extended passing off in sections 7(b), (c) and (d).³ Owners of unregistered trade-marks can initiate proceedings for passing off under the Act, but are not entitled to initiate proceedings for trade-mark infringement or depreciation of goodwill.

The action for passing off, whether at common law or under the Act, allows unregistered trade-mark owners to prevent another party in a particular geographic area from directing attention to their wares or services in a manner which is likely to cause confusion with the source or quality of the trade-mark owner's own wares or services.

Unregistered trade-mark rights depend on use. The registration system modifies but does not change the fundamental requirement of use for the protection of trade-mark rights, as registration itself does not confer priority of title to a trade-mark. The Canadian Supreme Court has held recently that although registration provides additional rights to an owner, registration is only available once the right to the trade-mark has been established by use.

4) Is it possible to:

- (a) Obtain; or
- (b) Maintain;

Registration for a trade-mark that is not:

- (i) Used; or

² *Ibid*, s 19.

³ Teresa Scassa, *Canadian Trademark Law* (Markham: LexisNexis Canada, 2010) at 33-35 [*Canadian Trade-mark Law*].

(a) No it is not possible to obtain registration for a trade-mark that is not used. Use is a cornerstone principle of Canadian trade-mark law. A mark must be used in order to be registered. It is, however, possible to register a trade-mark based on use in another country if the trade-mark has been "made known" in Canada⁴. In addition, it is possible to register a trade-mark based on a mark registered and used abroad, even if the mark is not in use in Canada at the time of registration.⁵

(b) It is not possible to maintain registration for a trade-mark that is no longer used in Canada. The Act specifically allows for a procedure which will expunge a trade-mark for non-use.⁶ If the trade-mark is no longer in use in Canada, the registration is vulnerable to be expunged from the Register of Trade-marks by either the Registrar of Trade-marks or the Federal Court unless the owner of the mark can provide a compelling reason to excuse the non-use. Summary expungement proceedings may be instituted by the Registrar, either on his or her own initiative at any time during the life of the registration, or at the request of a third party upon payment of the prescribed fee, after three years from the date of the registration.

(ii) Intended to be used?

(a) It is possible to apply for a trade-mark based on proposed use, but the trade-mark will not issue to registration until a declaration is filed with the Registrar that states that use of the trade-mark has commenced. No actual evidence of use needs to be submitted. The application must be accompanied by a statement that the applicant intends to use the trade-mark in Canada, so if there was never such an intention, the application could be attacked for this reason.

(b) As per (a) above, the trade-mark based on a proposed use is not entered into the Register until the use commences. Therefore, it is not possible to obtain a trade-mark without actual use.

5) If yes to 4) above, are the rights derived from such trade-mark registration the same or different to registered trade-marks that are used?

A registration under 4(i)(a) above based on foreign use of a trade-mark is considered valid until challenged. As indicated above, however, the registration may be susceptible to cancellation on the basis of non-use in the foreign jurisdiction.

⁴ *Trade-Marks Act*, RSC 1985, c T-13, s 16(1).

⁵ *Ibid*, s 16(2).

⁶ *Ibid*, s 45.

- 6) Are rights in unregistered trade-marks dependent on use? Whether yes or no, please explain the basis for your answer.

Yes, unregistered trade-marks are dependent on use, but not necessarily in Canada. As described above, unregistered trade-marks are primarily protected by the law of passing off, or by an action under paragraphs 7(b), (c), and (d) of the Act.

In an action for passing off, recognition and protection of the marks is limited to the geographical ambit of the reputation and goodwill associated with the mark. The existence of this goodwill cannot generally be proven without some evidence of Canadian use. However, while in principle this would appear to mean that an unregistered mark can only be protected where it is in use, case law suggests that a mark will be protected as far as the reputation and goodwill associated with it extends, and the mark may be protected in Canada even if it is not used in Canada.⁷

- 7) Is there any basis to restrict the use of:

- (a) A registered trade-mark; or

In certain limited situations, the Registrar is authorized to restrict a trade-mark to a territorial area of Canada or to specific wares and services. While the Federal Court of Appeal has acknowledged that the general rule for trade-mark registrations was that they were meant to have national scope and effect, the Court also found that subsection 12(2), in combination with subsection 32(2) of the Act, established an exception to the general rule.⁸ Where subsection 12(2) of the Act is used as an exception to the bar on registrability of trade-marks that fall under paragraphs 12(1)(a) or (b)⁹, subsection 32(2) allows the Registrar to authorize the restriction of the mark so as to limit it to the specific wares or services in association with which the mark has acquired distinctiveness or to limit the registration to a defined territorial area in Canada where the mark can be shown to have become distinctive.¹⁰

⁷ See *Orkin Exterminating Co Inc v Pestco Co of Canada Ltd*, [1985] OJ No 2536, 50 OR (2d) 726 (Ont CA), in which Orkin was able to protect its ORKIN mark despite it not being registered and despite Orkin not offering extermination services in Canada at the time, due to the spillover reputation and association caused by its substantial use and goodwill acquired in the United States.

⁸ *Molson Breweries v John Labatt Ltd*, [2000] FCJ No 159, [2000] 3 FC 145.

⁹ Paragraph 12(1)(a) prohibits registering a trade-mark which is merely the name or surname of an individual who is living or has died in the preceding 30 years; paragraph 12(1)(b) prohibits registering a trade-mark which is clearly descriptive or deceptively misdescriptive of the character or quality of the wares or services in association with which it is used.

¹⁰ *Canadian Trademark Law*, *supra* note 3 at 207.

A registered owner can also be restricted from using its/his/her trade-marks in association with wares or services where those wares or services themselves are restricted by statute or regulation. For example, under the *Tobacco Act*¹¹ and its subordinate regulation, advertising of tobacco products is subject to extensive restrictions. As a result, an owner is restricted from displaying its registered trade-mark in advertisements because the advertisements themselves are subject to restrictions.

Trade-marks in Canada do not confer positive rights of use other than granting a registered owner an affirmative prima facie defence against traditional actions for passing-off. The rights conferred by a registered trade-mark are explicitly referred to as exclusionary rights in section 19 of the Act. Therefore where other legislation restricts the sale or importation of particular wares or services, the rights conferred through registration under the Act are not capable of overriding these restrictions.

In relation to tobacco packaging, trade-mark rights do not appear to be capable of overriding regulations which require warning labels or other packaging restrictions. However, in a challenge to packaging regulations initiated by cigarette companies in 1995, the Supreme Court of Canada struck down package labeling requirements for cigarettes. The Court held that the provisions of the *Tobacco Products Control Act* prohibiting all advertising and requiring the affixation of unattributed warnings to cigarette packs were a violation of constitutional guarantees of freedom of expression that could not be justified under the *Charter of Rights and Freedoms*.¹²

Parliament reacted to the decision by carefully redrafting its anti-tobacco legislation and adducing "detailed and copious" evidence showing that where the legislation limited free expression, these limitations were justifiable. When the new legislation was subsequently challenged, the Supreme Court upheld the packaging limitations as constitutional.¹³

(b) A sign used as a trade-mark

There is no definition of "sign" in the Act and no particular considerations relating to restricting the use of a sign used as a trade-mark, other than the restrictions described above.

8) Is there any basis for the state or any state-controlled body to expropriate?

(a) A registered trade-mark;

¹¹ SC 1997, c-13.

¹² *RJR Macdonald v Canada (Attorney General)*, [1995] 3 SCR 199.

¹³ *Canada (Attorney General) v JTI Macdonald Corp*, [2007] 2 SCR 610 [*JTI Macdonald*].

There is currently no statutory basis that would allow the state or a state-controlled body to expropriate trade-marks. The *Expropriations Act*¹⁴ only affects interests in land or immovable real rights.

The only case in Canada dealing with government expropriation of trade-marks is *Bacardi & Co v Havana Club Holdings SA*¹⁵. In this case, a party that claimed to be the owner of the HAVANA CLUB trade-mark in association with rum through the rightful Cuban predecessor in title attempted to oppose an application by Bacardi for several marks in this HAVANA CLUB family.

The predecessor in title of the HAVANA CLUB registration in Canada was forced to nationalize in 1963 when Fidel Castro came to power in Cuba. Although Canadian law does not recognize expropriations made without compensation, the Registrar amended the Register to reflect the change in ownership to the nationalized company. In the opposition hearings, the hearing officer was of the opinion that his predecessor acted improperly, but did not have the authority to expunge existing registrations during an opposition. As a result, he rejected the opposition. The Federal Court and Federal Court of Appeal upheld his decision and declined to comment on both the correctness of the actions of the Registrar in 1963 and the implications of government expropriations which affect trade-mark rights. The case serves as an example of a foreign state-controlled entity essentially expropriating a registered trade-mark in Canada, but the courts have not commented on whether this action was legal.

(b) A sign used as a trade-mark; or

As noted previously, there is nothing in the Act or jurisprudence which makes a distinction between a trade-mark and a sign used as a trade-mark. The discussion in part (a) therefore applies equally to a sign used as a trade-mark.

(c) The rights deriving from either (a) or (b)

There are no examples of government expropriation of the rights deriving from a trade-mark. The discussion in part (a) is the only example of government expropriation of trade-mark rights.

- 9) If yes to 7) or 8) above, do public interest considerations provide any basis for such restriction or expropriation ("Restriction/Expropriation")? If yes, please explain any applicable public interest considerations, and any relevant laws or precedents.

¹⁴ RSC 1985, c E-21.

¹⁵ 2004 FCA 220.

In the tobacco warning package cases considered by the Supreme Court, Parliament's interest in combatting tobacco promotion constituted a pressing and substantial objective capable of justifying limits on the right of free expression. This was a consideration of legislative objectives related to public health, but it was viewed in light of restricting Charter rights guaranteeing freedom of expression, rather than trade-mark rights (although such rights could be considered within the scope of freedom of expression).

10) If yes to 7) or 8) above, are trade-marks different from other intellectual property rights in this regard?

No. The restrictions were considered in light of guaranteed rights of freedom of expression. Such restrictions would apply to other intellectual property rights in the same manner. For example, public interest concerns are sometimes used to limit the exercise of patent rights in Canada (such as for manufacturers of hazardous chemicals and for pharmaceutical companies).

11) If yes to 7) or 8) above, is any treaty or other international obligations relied on to provide a basis for such Restriction/Expropriation (as applicable)? If yes, please explain the international obligations, and how those obligations are reflected in or received into your country's law.

In *JTI Macdonald*¹⁶, the Supreme Court relied on language used in the *WHO Framework Convention on Tobacco Control* to find that the current Canadian packaging limitations were reasonable impairments of the tobacco companies' rights to freedom of expression. The Court found that since many countries were signatories to the Convention, which proposed the legislative restrictions, there was support for the argument that the language of the treaty was reasonable and could be adopted by Canadian legislation.

12) Is your country a signatory to the WHO Framework Convention on Tobacco Control ("FCTC")? If yes, has your country ratified the FCTC?

Canada signed the FCTC on July 15, 2003 and ratified on November 26, 2004.

13) If yes to 12) above, has the FCTC been implemented in your country? If yes, please explain its legal impact, if any, including by reference to the Guidelines for Implementation of Articles 11 and 13 of the FCTC.

For cigarettes and roll-your-own tobacco products, Canada has implemented rotating health warning messages that cover at least 50% of the package area pursuant to Article 11 of the Guidelines. However, there are still tobacco

¹⁶ *JTI Macdonald*, *supra* note 13.

products for sale in Canada which do not carry these warnings, including single cigars, shisha tobacco and smokeless tobacco products.

Cigarettes cannot be marketed under terms like "light" or "mild" in Canada.

- 14) Is the FCTC received directly into your country's domestic law or is domestic legislation required to give it effect in your country's law?

The FCTC has not been directly received. Domestic legislation is required to give it effect under Canadian law. In order to give the FCTC effect, the *Tobacco Act*¹⁷ implements many similar restrictions on labeling and advertising.

- 15) If there is presently a legal basis in your country for permitting any Restriction/Expropriation, please answer the following questions in relation to both registered trade-marks and unregistered trade-marks (if your country recognizes/protects the latter).

Generally, it can be argued that it has not been established in Canada that trade-mark registrations confer any positive rights of use. Intellectual property rights are generally seen in Canada as exclusionary in nature.

In addition, the Canadian Constitution does not guarantee the protection of property in the same manner as other nations. The *Charter of Rights and Freedoms* in Canada specifically omits mention of property rights. Unlike the Constitutions of both Australia and the United States of America, there is no constitutional guarantee of property rights which could be used to challenge legislation restricting the scope of trade-mark rights.

- (a) What are the parameters for such Restriction/Expropriation? For example, the nature of any stated public interest considerations, the proportionality of the proposed measure to the Restriction/Expropriation.

All rights guaranteed by the *Charter of Rights and Freedoms* are subject under section 1 to reasonable limits "demonstrably justified in a free and democratic society". The Supreme Court in *R v Oakes*¹⁸ held that this provision means laws restricting Charter rights must be (i) rationally connected to the objective; (ii) minimally impair the right; and (iii) be proportionate or balanced in effect.

The second and third requirements would be the most difficult for the government to meet in defending plain packaging legislation. Absent new, highly persuasive studies on the effects of cigarette package labelling on consumers, it could be difficult to argue that a total ban on using logos and trade-marks in tobacco packaging minimally or proportionately impairs the freedom of expression rights of tobacco companies. Partial packaging

¹⁷ SC 1997, c 13.

¹⁸ [1986] 1 SCR 927.

restrictions, however, were found to be a proportionate limit as recently as 2007.¹⁹

- (b) Is it relevant that such Restriction/Expropriation only applies in relation to a particular class of products, e.g. tobacco products, foods deemed to be unhealthy or alcohol?

The only relevance of this fact would be in determining whether the limitation is justified under the *Oakes* test described in (a) and may serve to strengthen the justification for the limitation.

- (c) What are the financial consequences for the state and trade-mark rights holder respectively? For example, is a rights holder entitled to or eligible for any compensation in respect of the Restriction/Expropriation? If yes, what type of rights holders are so entitled or eligible? If not, why is no compensation available?

It is unclear that plain packaging would constitute a legal expropriation in Canadian law for the purposes of entitling registrants to compensation. Since there is no corresponding gain to the state relative to a registrant's loss, trade-mark owners may have a difficult time arguing that expropriation had occurred.

If trade-mark rights are merely restricted by legislation rather than expropriated, there is no legislative or jurisprudential basis for compensation.

- (d) If compensation is available, how is it calculated?

Not applicable [see part (c)].

- (e) Does a trade-mark rights holder affected by Restriction/Expropriation have any other claims or remedies against the state? If yes, please explain the basis and nature of any claims or remedies.

The most effective way to claim remedies against the state in this context would be through an investor-state dispute settlement, such as those available under Chapter 11 of the North American Free-Trade Agreement ("NAFTA").

Under NAFTA, the most effective route for remedies would probably be through submitting a claim for arbitration pursuant to NAFTA Article 1116 which allows an investor to challenge a state's compliance with its international obligations. The drug manufacturer Eli Lilly has taken this route to challenge Canada's "promise doctrine" in the context of an

¹⁹ *JTI Macdonald, supra* note 13.

invalidation of their patent for an ADHD drug²⁰. The case is pending before the Courts, so it is not yet clear that this would be a successful avenue for protection of trade-mark rights by tobacco companies.

- (f) In the event of Restriction/Expropriation, could a trade-mark remain registered?

Under the Act, all trade-mark registrations would be vulnerable to summary expungement based on non-use 3 years after the packaging ban comes into effect.²¹

- (g) If yes, what is the consequence of any Restriction/Expropriation on a well-known trade-mark that was registered prior to the Restriction/Expropriation?

Not applicable.

- 16) If there is presently no legal framework in your country permitting Restriction/Expropriation, please answer the following questions in relation to both registered trade-marks and unregistered trade-marks (if your country recognizes/protects the latter).

Not applicable.

²⁰ *Eli Lilly and Company v The Government of Canada*, Notice of Intent to Submit a Claim to Arbitration under NAFTA (Nov 7, 2012).

²¹ *Trade-Marks Act*, RSC 1985, c T-13, s 45.