

2018

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Bitá Amani
Queen's University

Carys Craig
Osgoode Hall Law School of York University, ccraig@osgoode.yorku.ca

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Recommended Citation

Amani, Bitá and Carys J. Craig, The 'Jus' of Use: Trademarks in Transition, 30(2) *Intellectual Property Journal* 217 (2018)

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The ‘*Jus*’ of Use: Trademarks in Transition

*Bitá Amani & Carys Craig**

*Changes to Canada’s Trade-marks Act will soon permit, for the first time, the registration and enforcement of unused trademarks. Far from a mere legal technicality or practical exigency, this shift fundamentally alters the nature of trademarks and the trademark system. Traditionally, it is the use of trade indicia in the marketplace that determines title and acquisition of trademark rights; use that defines the scope and duration of rights; and use that gives rise to claims of infringement. By virtue of the “*Jus of use*”, the trademark system has remained, over time, reasonably true to its rationale, encouraging and rewarding honest economic activity and fair competition. This article examines the implications of removing use as a precondition of trademark registration. Not only will the statutory amendments present stark practical problems likely to disadvantage weaker commercial actors, but they will undermine the basic tenets of Canada’s trademark system, casting doubt on its historical justifications and its constitutional legitimacy. If this reflects the international trajectory of “trademarks in transition”, it also gives rise to an overarching concern: with the global shift towards a right-by-registration system, consumer protection rationales increasingly cede to market efficiency concerns, as the trademark further (d)evolves from source signifier to simple commodity.*

Les modifications apportées par le Parlement canadien à la Loi sur les marques de commerce permettront bientôt, et pour la première fois, l’enregistrement et l’application des marques de commerce inutilisées. Loin d’une simple technicité juridique ou d’une exigence pratique, ce changement modifie fondamentalement

* Dr. Bitá Amani, B.A. (With Distinction), LL.B., S.J.D., is an Associate Professor of Law at Queen’s University, Faculty of Law and is called to the Bar of Ontario. Dr. Carys Craig, LL.B. (Hons 1st Cl.), LL.M., S.J.D., is an Associate Professor at Osgoode Hall Law School at York University, and Academic Director of the Osgoode Professional LL.M. Program in Intellectual Property Law. The authors are grateful for the efforts and insights of Teresa Scassa, Florian Martin-Bariteau, David Vaver, Sir Richard Arnold, and the anonymous reviewers..

la nature et le système des marques de commerce. Traditionnellement, c'est l'utilisation de signes ou symboles commerciaux au sein du marché qui détermine le titre et l'acquisition des droits sur une marque de commerce, utilisation qui définit la portée et la durée des droits, et qui donne lieu à des allégations de violation. En vertu du «droit d'utilisation», le système des marques de commerce est resté, au fil du temps, raisonnablement fidèle à sa raison d'être, encourageant et récompensant une activité économique honnête et une concurrence loyale. Dans cet article, les auteures examinent les implications de la suppression de l'utilisation comme condition préalable à l'enregistrement d'une marque. Non seulement les modifications législatives présenteraient de graves problèmes pratiques susceptibles de désavantager les acteurs commerciaux les plus faibles, mais elles mineraient les principes fondamentaux du système des marques de commerce au Canada, mettant en doute ses justifications historiques et sa légitimité constitutionnelle. Si cela reflète la trajectoire internationale des «marques de commerce en transition», cela suscite également une inquiétude générale : avec l'évolution mondiale vers un système d'inscription des droits, les motifs de protection des consommateurs cèdent de plus en plus aux préoccupations d'efficacité du marché, alors que la marque de commerce évolue (voire régresse), passant d'identificateur de source à simple produit.

1. INTRODUCTION

Globally, trademarks are in transition. Far from the practical signifiers of trade source that found protection in the common law of industrializing Britain, today's trademarks embody global brands, encapsulate the marketing messages of international corporations and represent billions of dollars' worth of commercial "goodwill."¹ Brand expansion has long been the goal of any business but, historically, both the territoriality of trademark law and its internal logic worked to keep the trademark proprietor "honest to his trade." The trademark, in order to be protected by law, had to tell a "true story" about the source of the goods or

¹ The most valuable brands can be worth significantly more than the world's most valuable patents or copyright protected works and can dwarf the value of a company's tangible assets. See *Grow, Change, Grow: Best Global Brands 2017*, online: Interbrand <<http://interbrand.com/best-brands/best-global-brands/2017/>>.

services to which it attached, serving to signify trade provenance in the relevant marketplace. It was through market use of indicia such as words, symbols and shapes that they acquired distinctive identity and the ability to serve this source-signifying function. This remained so even with the arrival of the trademark registration system for, as then Chief Justice Ritchie explained in *Partlo v. Todd* (1888), “[i]t is not the registration that makes the party proprietor of a trade-mark; he must be a proprietor before he can register.”² It was thus the use of trade indicia that determined title and acquisition of trademark rights; use that defined the scope of these rights; the manner of use (or its absence) that threatened these rights; and use that gave rise to claims of infringement. In this way, it was the law — or *jus* — of use that enabled the trademark system to incentivize honest economic activity and facilitate fair competition. Indeed, in Canada, it was apparently the *jus* of use that allowed marks, whether registered or unregistered, to be governed by a federal statutory regime under the trade and commerce power.³

But the law’s entrenchment of use into the legal life and constitution(ality) of a trademark, whether in the common law or by statute, served more than a legal function; it recognized a social reality. Trademark use occurred in a particular commercial setting and a specific cultural context. Historically, use was geographically constrained and culturally contained — and so, too, was the potential for consumer confusion, as marks could mean different things in different markets. The *jus* of use was not only about formal legal requirements but functioned to capture the essential spirit — the *au jus*, if you will — of trademark protection within the broader framework of fair competition. Mediating the boundary between fair and unfair competition was the integral connection between the trader’s interest (as acquired through use of a mark) and the public’s interest in avoiding confusion (as caused by misuse of a mark with which the public had become familiar). To the extent that the legal regime protecting trademarks could be hailed as a form of consumer protection legislation, it depended for its

² *Partlo v. Todd* (1888), 17 S.C.R. 196 at 200, Ritchie C.J.

³ Subsection 91(2) of the *Constitution Act, 1876* (formerly the *British North America Act*) grants legislative authority to the Federal Parliament of Canada over “The Regulation of Trade and Commerce.” *Constitution Act, 1867* (U.K.), 30 & 31 Vict., c. 3, s. 91(2), reprinted in R.S.C. 1985, App. II, No. 5. See below, Part 4.

rationale on the core requirement that the mark be used in the marketplace thereby acquiring reputation and goodwill. And, to the extent that the legal regime could be heralded as protection for traders against unfair competition, such competition could occur, of course, only in the context of actual trade.

The economic value of the trademark, however, has gradually eclipsed its social significance and cultural context, as transnational flows of goods and capital engender national protection of marks even in the absence of local use. Increasingly, trademark owners assert rights in regions where they have never conducted business; infringers are commanded to cease the use of confusing marks in fields devoid of actual consumers to confuse; and trademarks are protected by law in markets where they have never functioned as marks in trade. The legal regime that protects trademark rights has become divorced from the realities of commercial exchange and from the interests of consumers that once occupied its core. The full importance and practical implications of this shift are only now beginning to be realized. The trademark system has transformed, and its economic significance swelled, all while its foundations have been quietly crumbling.

This article critically explores Canada's imminent transition from a trademark system premised on the use of marks towards a system based on registration and free-standing rights.⁴ Legislative amendments to Canada's *Trademarks Act*⁵ currently stand poised to precipitate the shift from a so-called "use-based" trademark system (wherein rights to the exclusive control of a mark flow from, and depend upon, the use of the mark as a trademark in the marketplace) to a "registration-based" trademark system (wherein rights can be acquired through registration even in the absence of any commercial use of the mark). They will permit, for the first time in Canada's history, the registration and enforcement of *unused* trademarks. Though stamped with Royal Assent, the amendments have sat on the books for almost four years awaiting implementation, and seem likely to be further delayed until 2019 while accompanying regulations are developed and debated.⁶ In the

⁴ Some of the content herein first appeared as commentary in Bitá Amani & Carys Craig, *Trade-marks and Unfair Competition Law in Canada: Cases and Commentary*, 2nd ed., (Toronto: Thomson Reuters, 2014).

⁵ *Trade-marks Act*, R.S.C. 1985, c. T-13 [TMA].

⁶ See Cynthia Rowden, "Implementation of *Trademarks Act* Amendments —

interim, new questions have been asked about the wisdom of the reforms, and concerns raised about the manner of their enactment.⁷

Now Scheduled for 2019: What This Means For Brand Owners” (13 February 2017), *Bereskin & Parr* (blog), online: <<http://www.bereskinparr.com/doc/implementation-of-i-trademarks-act-i-amendments-now-scheduled-for-2019-what-this-means-for-brand-own>> . Proposed Trademark Regulations were the subject of a recent public consultation process. See Government of Canada, “Consultations and Discussions”, online: <<https://www.ic.gc.ca/eic/site/ci-pointernet-internetopic.nsf/eng/wr04263.html>> .

⁷ With this article, we join the many Canadian intellectual property experts who have expressed concern about the lack of consultation and the anticipated negative impact of the amendments for Canadian businesses and consumers. See, e.g., Daniel R. Bereskin, Q.C., “Canada’s Ill-Conceived New ‘Trademark’ Law: A Venture into Constitutional Quicksand” (2014) 104:5 *Trademark Reporter* 1112 [Constitutional Quicksand]; Paul Tackaberry, “Exploring the Boundaries of ‘Use’ After the 2014 Amendments to the Canadian Trademarks Act” (2014) 104:6 *Trademark Reporter* 1322 [Exploring the Boundaries]; Sheldon Burshtein, “Canada Weakens Trademark Structure by Demolishing Use Foundation (Commentary)” (2015) 105:4 *Trademark Reporter* 930; Benjamin Lai, “Bill C-31, the Trade-marks Act Amendment and Dealing with Trade-mark Squatting” (2015) 28 *I.P.J. No. 1* at 135. See also, e.g., Julius Melnitzer, “Canada Proposes Radical Change to Trademark Law, Lawyers Warn” (16 April 2014) *Financial Post*, online: <<http://business.financialpost.com/legal-post/canada-proposes-radical-change-to-trademark-law-lawyers-warn>>; Cynthia Rowden, “Canada’s New Use-less Trademarks Act” *The Trademark Lawyer* (October/November 2014), online: <http://www.bereskinparr.com/files/file/docs/BER_Canadas_New_Use-less_Trademarks_Act.pdf>; Michele Ballagh, “Are Your Common Law Trademarks at Risk?” (7 November 2014), online: <<https://www.ballaghdward.ca/article/are-your-common-law-trademarks-at-risk.php>>; Stephan Abitbol, “The Canadian Trademark Regime: Amendments to the Trade-marks Act and the Threat to Canada and the United States,” 24 *Cardozo J. Int’l & Comp. L.* 229; Mark Penner & Ariel Thomas, “Updating Canadian Trademark Filing & Registration Strategies in the Face of Recent Legislative Changes” (29 Jan 2015), *Faskens* (blog), online: <<https://www.fasken.com/en/knowledgehub/2015/01/intellectualpropertybulletin-20150129>>; Cynthia Rowden & Daniel Bereskin, Q.C., “Will Changes to Canada’s Trademark Laws Simplify or Complicate Selection and Protection of New Brands?” *The Trademark Lawyer* (January 2016), online: <http://www.bereskinparr.com/files/file/docs/TrademarkLawyer_Issue1%202016.pdf>; Donna White, “Trademark: Trolls at the Gate—Lexpert” (3 October 2016), *Osler Press Room*, online: <<https://www.osler.com/en/about-us/press-room/2016/trademarks-trolls-at-the-gate-lexpert>>; Robert M. McDonald, “Major changes to Canada’s trademark laws: What every business needs to know” (8 November 2016), *Lexology* (blog), online: <<https://www.lexology.com/library/detail.aspx?g=e2b17a49-eb81-4fe3-a709-89cc1ce2acfc>> . Comments on the Public Consultations on the

This is a critical juncture at which to unpack the impending changes. But, even if the amendments are fully implemented by the time this article finds its way into the reader's hands, the real growing pains are likely still to follow. We believe that these significant statutory changes portend a new trajectory for Canadian trademark law writ large, departing from long established principles and practices in the field towards a new policy terrain — one in which trademarks will increasingly function like commodities, while the interests of local businesses and Canadian consumers rapidly recede from view.

The ensuing analysis will allow readers to grasp both the substance and significance of these legislative amendments, as and when (and subject to whatever regulations) they ultimately take effect. The following section describes and assesses the technical impact of the statutory changes with regard to the registration of unused marks. Part 3 situates these changes against the backdrop of longstanding doctrine and *dicta* around registrability and use in Canada, as well as the constitutional basis for the federal regulation of registered and unregistered marks. Part 4 then explores the potential consequences in terms of both the constitutional legitimacy of the revised *Trademarks Act* and the practical implications that are likely to follow. Part 5 concludes with some thoughts about the broader trends of trademarks in transition.

2. THE CANADIAN AMENDMENTS

In recent years, trademark law has been the subject of significant attention from Canadian law and policy makers, albeit without the public attention, debate, and scrutiny that accompanied the copyright law reform process.⁸ Important

Proposed Trade-marks Regulations post-amendment make ongoing concerns apparent, online: < https://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/h_wr04256.html > .

⁸ The enactment of the *Copyright Modernization Act*, S.C. 2012, c. 20, was preceded by extensive public consultation and debate over iterative versions of the amending legislation (Bills C-61, C-11 and C-32). The 2009 consultation on Bill C-61 generated more than 8,300 submissions. Even this was thought by some, with good reason, to be insufficient: see Michael Geist, “The Government’s ‘10,000 Consultations’ on Copyright” (May 25, 2012) *Michael Geist* (blog), online: < <http://www.michaelgeist.ca/2012/05/10k-consultation-on-copyright/> > .

domestic developments have occurred against the backdrop of ratification processes for several key international trademark treaties (the Nice Agreement,⁹ the Singapore Treaty,¹⁰ and the Madrid Protocol)¹¹ as well as high-stakes international trade negotiations (the *Canada-European Union Comprehensive Economic and Trade Agreement*).¹² Bill C-8, the *Combating Counterfeit Products Act*, received Royal Assent and became law on December 9, 2014;¹³ Bill C-31, the *Economic Action Plan 2014 Act, No. 1*, received Royal Assent on June 19, 2014¹⁴ and includes, in Division 25, “Amendments Relating to International Treaties of Trademarks.”¹⁵

⁹ *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks*, 15 June 1957, 550 UNTS 45 (entered into force 8 April 1961, revised at Stockholm on 14 July 1967, at Geneva on 13 May 1977 and amended on 28 September 1979; accession by Canada at date to be determined), online: < <http://www.wipo.int/treaties/en/classification/nice/> > [*Nice Agreement*].

¹⁰ *Singapore Treaty on the Law of Trademarks*, 27 March 2006, 2633 UNTS 3 (entered into force 16 March 2009, accession by Canada at date to be determined) [*Singapore Treaty*].

¹¹ *Madrid Agreement Concerning the International Registration of Marks*, 14 April 1891, 583 UNTS 3 (entered into force 15 July 1892, revised at Brussels on 14 December 1900, at Washington on 2 June 1911, at The Hague on 6 November 1925, at London on 2 June 1934, at Nice on 15 June 1957, at Stockholm on 14 July 1967, and amended on September 28, 1979; accession by Canada at date to be determined) [*Madrid Agreement*], and the *Protocol Relating to the Madrid Agreement*, 27 June 1989, (entered into force 1 December 1995, amended on 3 October 2006 and on 12 November 2007; accession by Canada at date to be determined) [*Madrid Protocol*].

¹² *Comprehensive Economic Partnership Agreement between Canada, of the one part, and the European Union and its Member States, of the other part*, 30 October 2016 (signed on October 30, 2016 and provisionally applied 21 September 2017) [CETA]. Article 20.13 obliges each Party to “. . . make all reasonable efforts to comply with Articles 1 through 22 of the *Singapore Treaty* . . .” and to accede to the *Madrid Protocol*.

¹³ Bill C-8, *An Act to amend the Copyright Act and the Trade-marks Act and to make consequential amendments to other Acts*, 2nd Sess., 41st Parl., 2014 (assented to 9 December 2014) S.C. 2014, c. 32, online: < <http://www.parl.ca/DocumentViewer/en/41-2/bill/C-8/royal-assent> > [CCPA].

¹⁴ Bill C-31, *An Act to implement certain provisions of the budget tabled in Parliament on February 11, 2014 and other measures*, 2nd Sess., 41st Parl., 2014 (assented to 19 June 2014) S.C. 2014, c. 20, online: < <http://www.parl.ca/DocumentViewer/en/41-2/bill/C-31/royal-assent> > [EAPA].

¹⁵ *Ibid.* ss. 317-68. The *Combating Counterfeit Products Act* has now largely come

The CCPA was a reincarnation of Bill C-56,¹⁶ which generated controversy at the time of its introduction due to its substantive connection to the widely discredited and now effectively defunct *Anti-Counterfeiting Trade Agreement*.¹⁷ Critics complained that it was essentially “ACTA through the back door.”¹⁸ In addition to provisions addressing the importation and distribution of counterfeit goods, the CCPA amended the *Trade-marks Act* by broadening the definition of “trade-mark” to cover non-traditional trademarks and proposed certification marks,¹⁹ and replacing some of Canada’s more idiosyncratic statutory language (e.g., “wares” becomes “goods”).

More surprising, however, was the introduction of Bill C-31,²⁰ which contained — tucked at the back of a 300-page budget implementation bill — fundamental changes to the *Trade-marks Act*. These changes, once implemented, will disturb the well-established bases for obtaining registered trademark protection in Canada and disrupt the existing regulatory processes for trademark

into force, though like the EAPA, some key trademarks-related provisions remain to be implemented.

¹⁶ Bill C-56, *An Act to amend the Copyright Act and the Trade-marks Act and to make consequential amendments to other Acts*, 1st Sess., 41st Parl., 2013.

¹⁷ *Anti-Counterfeiting Trade Agreement*, 1 October 2011 (not in force) [ACTA]. Notwithstanding its many signatories (Australia, Canada, Japan, Mexico, Morocco, New Zealand, Singapore, South Korea, the United States, and the 22 member states of the European Union) only Japan has ratified ACTA, the coming into force of which requires ratification by six states. ACTA, art. 40. Public protests across Europe and ACTA’s rejection by the European Parliament (see online: <<http://www.europarl.europa.eu/news/en/press-room/20120703IPR48247/european-parliament-rejects-acta>>) suggest that the required ratifications are unlikely to materialize.

¹⁸ See, e.g., Michael Geist, “NDP Calls It: Bill C-56 is ‘ACTA Through the Back Door’” (6 March 2013) *Michael Geist* (blog), online: <<http://www.michaelgeist.ca/content/view/6800/125/>>.

¹⁹ Subsection 7(3) amends the definition of “trade-mark” in section 2 of the TMA to include “(a) a sign or combination of signs that is used by a person for the purpose of distinguishing or so as to distinguish their goods or services from those of others.” Subsection 7(5) defines “sign” as including “a word, a personal name, a design, a letter, a numeral, a colour, a figurative element, a three-dimensional shape, a hologram, a moving image, a mode of packaging goods, a sound, a scent, a taste, a texture and the positioning of a sign.” CCPA, *supra* note 13, ss. 7(3), 7(5).

²⁰ EAPA, *supra* note 14.

applications, opposition and enforcement. More specifically, EAPA will, *inter alia*: rename the *Trade-marks Act*;²¹ expand what may constitute a mark to include a wide variety of non-traditional marks;²² implement the Nice Classification system for categorizing wares and services;²³ simplify the application to register by removing the need to declare a basis for the entitlement to register;²⁴ eliminate the requirement of “use” as the basis or condition for registration;²⁵ and treat equally applications to register marks used by local traders and marks that have never been used *anywhere*, whether in Canada or another country of origin.²⁶

²¹ Sections 317 and 318 remove the hyphen from the longstanding Canadian statutory nomenclature “Trade-marks.” *Ibid.* ss. 317, 318. We use the hyphenated term “trade-marks” only in direct reference to current Canadian legislation or jurisprudence as appropriate.

²² Section 319 revises the definition of “trademark” as did the CCPA, *supra* note 13 (but excludes the separate category of “a proposed trade-mark”), and provides the same expansive definition of “sign.” *Ibid.* ss. 319(4)-(5).

²³ Section 339 adds the requirement, in subsection 30(3) of the revised *Trademarks Act*, that the goods or services in association with which the registration is sought be grouped, numbered and ordered “according to the classes of the Nice Classification. . .” *Ibid.* s. 339. The system, established by the *Nice Agreement*, *supra* note 9, groups products and services into 45 numbered classes to improve consistency and streamline registration and search processes across jurisdictions. See World Intellectual Property Organization, “About the Nice Classification”, online: <<http://www.wipo.int/classifications/nice/en/preface.html>> .

²⁴ Section 339 of the EAPA, replacing sections 30-33 of the *Trade-marks Act*, removes the need to indicate whether an application is made based on use, proposed use or use and registration of the mark abroad, by eliminating the need to furnish the Registrar with a statement identifying the basis of entitlement as currently required by paragraphs 30(1)(b)-(e). Unless added by regulation, it will not be necessary under the revised section 30 for an applicant to state either a date of first use or intent to use. EAPA, *ibid.*

²⁵ Together, the changes made by EAPA sections 330 and 339 to sections 30 and 16 of the *Trade-marks Act* will permit unused proposed marks to proceed to registration. EAPA section 345 removes the requirement currently contained in section 40 of the *Trade-marks Act* that an applicant declare use of a proposed mark in Canada in order for the certificate of registration to be issued. See below, Part 3. *Ibid.* ss. 330, 339, 345.

²⁶ Amendments to section 16 of the *Trade-marks Act* made by EAPA section 330 eliminate the distinction currently drawn in subsections 16(1)-(3) between an application to register a mark that has been used or made known in Canada; a

The ambition may have been to ease administrative burdens. The effect, however, is to sacrifice the centrality of trademark use in Canada's trademark scheme. The government's apparent motivation was to bring Canada into line with international standards including those of the *Singapore Treaty* and the *Madrid Protocol*.²⁷ It can hardly be disputed, however, that the proposed amendments go beyond what is required by these international agreements. As the Canadian Bar Association noted in its submission to government, "[t]he amendments are not required to fulfill Canada's treaty obligations under [either treaty]. . . . [T]he [United States] maintained its use prior to registration requirement when acceding to both treaties."²⁸ Particularly, given the absence of any clear international obligation, many query the necessity of "fixing" a long-standing system that was not broken. In Canada's apparent haste to align its trademark law with that of other registration-based systems (as opposed to holding the use-based line along with our largest trading partner), the "existing strengths of the Canadian trade-mark system have been under-valued. . . ."²⁹ It is one thing to remove a redundant hyphen; quite another to remove a fundamental precondition for protection.

Let us briefly review the specific provisions that are most relevant for our purposes. The centrality of use to the acquisition of

foreign-registered mark that has been used abroad; and a mark that is unused but proposed to be used in Canada. *Ibid.* s. 330.

²⁷ *Supra* notes 10 and 11. See, e.g., Government of Canada, "Public Consultations on the Proposed Trade-marks Regulations", online: < http://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/h_wr04256.html > : "The Government of Canada is modernizing Canada's intellectual property (IP) framework so that we can join five international IP treaties, including the Madrid Protocol, Singapore Treaty and Nice Agreement. . . ."

²⁸ Letter from Mala Joshi (Chair, CBA Intellectual Property Section) and John McKeown (Chair, Trade-marks Committee, CBA IP Section to Navdeep Bains, Minister of Innovation, Science and Economic Development (24 February 2016), online: < <https://www.cba.org/CMSPages/GetFile.aspx?guid=00c7074f-897a-44a4-8556-fd15b62f61d3> > at 2. See also "Legal and Technical Implications of Canadian Adherence to the Madrid Protocol", prepared for the Canadian Intellectual Property Office by Alan Troicuk, Senior Counsel, Department of Justice Canada (January 2012), online: < [https://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/vwapj/mcProtocoleMadrid-tmMadridProtocol-eng.pdf/\\$file/mcProtocoleMadrid-tmMadridProtocol-eng.pdf](https://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/vwapj/mcProtocoleMadrid-tmMadridProtocol-eng.pdf/$file/mcProtocoleMadrid-tmMadridProtocol-eng.pdf) > at 63-66.

²⁹ *Ibid.*

rights under Canada's registration scheme is made apparent by section 16 of the *Trade-marks Act* as currently in force. Fundamentally, entitlement to register is about being first. An applicant must have a basis upon which to claim title to register, and contesting claims are then resolved by establishing priority: the party with the earliest "priority date" of entitlement has the best title. Historically, Anglo-Canadian law has taken the position that priority of entitlement flows from actual prior use of the mark, while civil law jurisdictions generally established priority through first application. Canada now has a "mixed" system whereby entitlement is based on either use of the mark or the filing of an application to register the mark. Subsections 16(1), (2) and (3) establish various routes to entitlement: the applicant (or his predecessor in title) has (1) "used" the mark in Canada or "made known" the mark in Canada; (2) "duly registered" the mark in his country of origin and "used" the mark in association with wares or services; or (3) filed an application for registration of a proposed trade-mark. While subsection 16(3) bases entitlement simply on the application to register (the priority date being the date of filing the application),³⁰ the actual use of the mark remains key to registration by virtue of the condition contained in subsection 40(2): the application may be allowed, but the trademark will be registered only "on receipt of a declaration that the use of the trade-mark in Canada, in association with the wares or services specified in the application, has been commenced. . . ."³¹

The basis for priority of title is established by the paragraphs to each subsection. As between conflicting claims, the applicant with the better right to register is the party with the earlier "priority date." Under subsection 16(1), an applicant who has used or made known his mark in Canada is entitled to register the mark unless, prior to having first so used it or made it known, it was confusing with "(a) a trade-mark that had been previously used in Canada or made known in Canada by any other person; (b) a trade-mark in respect of which an application for registration had been previously

³⁰ The filing date in Canada establishes the priority date in Canada, subject to section 34, which permits the date of an application abroad to be deemed the date of application in Canada where the Canadian application is filed within six months of the earliest application for a substantially similar mark in a member country of the Paris Union or the World Trade Organization. TMA, *supra* note 5, s. 34.

³¹ *Ibid.* s. 40(2).

filed in Canada by any other person; or (c) a trade-name that had been previously used in Canada by any other person.”³² The same provisos appear in subsections (2) and (3).³³ To summarize, then, an applicant who has adopted a mark by virtue of having commenced to use it in Canada or to make it known in Canada, or by filing an application to register the mark in Canada, has thereby established a basis on which to claim title to register the mark in Canada; but whether the applicant has the best title to register the mark will depend on whether any other party has already either used, made known, or filed an application to register the same or a confusing mark. A prior application will beat a subsequent use; similarly, a prior use will beat a subsequent application.³⁴

Even in this “mixed” system, use of a mark remains key to the acquisition of rights. Section 4 of the *Trade-Marks Act* provides a technical but substantive definition of use: “a trade-mark is deemed to be used in association with goods, if at the time of the transfer of the property in or possession of the goods, in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred.”³⁵ Mere

³² *Ibid.* paras. 16(1)(a)-(c).

³³ Under subsection 16(4) an application is affected by a prior application only if it is pending at the date of advertisement. A refused or abandoned application is irrelevant; if it proceeded to registration the later applicant’s mark is not registrable pursuant to paragraph 12(1)(d). A later applicant with better title can oppose a pending application. Under subsection 16(5) prior use of a confusing trademark or trade name will affect an application only if the trademark or trade name has not been abandoned at the date of advertisement of the application. *Ibid.* ss. 16(1)-(5).

³⁴ See e.g., *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27, [2011] 2 S.C.R. 387, 2011 CarswellNat 1613 at [35], Rothstein J: “It is important to recall the relationship between use and registration of a trade-mark. Registration itself does not confer priority of title to a trade-mark. At common law, it was use of a trade-mark that conferred the exclusive right to the trademark. While the *Trade-marks Act* provides additional rights to a registered trade-mark holder than were available at common law, registration is only available once the right to the trade-mark has been established by use.”

³⁵ *Ibid.* s. 4(1). This provision gives rise to the following conditions for establishing use in association with wares: (1) the mark must be a trademark as defined in the TMA; (2) the mark must be associated with the wares so that notice of the

token or one-time use will not be sufficient to establish title.³⁶ For services, “[a] trade-mark is deemed to be used . . . if it is used or displayed in the performance or advertising of those services.”³⁷ For applications filed on the basis of use or proposed use, no registration can issue without actual use of the mark in Canada. Even for applications filed on the basis of “making known” in Canada or a foreign registration, registration can issue only if the mark has been “used in association with goods or services.”³⁸ In

association is given at the point of transfer; and (3) that transfer of property or possession must occur in the normal course of trade. See *White Consolidated Industries, Inc. v. Beam of Canada Inc.*, 1991 CarswellNat 214, 39 C.P.R. (3d) 94 (F.C.T.D.). See also, e.g., *Bombardier Ltd. v. British Petroleum Co.*, 1971 CarswellNat 511, 4 C.P.R. (2d) 204 (F.C.T.D.). This definition of “use” (imported into the s. 2 definition of a mark) has historically served to limit what can be a trademark to marks that are visibly perceptible. See *Playboy Enterprises Inc. v. Germain*, 1987 CarswellNat 680, 16 C.P.R. (3d) 517, 15 C.I.P.R. 24 (F.C.T.D.): “I am of the opinion that use of a verbal description is not use of a trademark within the meaning of the *Trade Marks Act*. A ‘mark’ must be something that can be represented visually.” See also *Philip Morris Products S.A. v. Marlboro Canada Ltd.*, 2012 FCA 201 at [45] and [50] [Marlboro].

³⁶ See, e.g., *Sequa Chemicals Inc. v. United Color & Chemicals Ltd.*, 1993 CarswellNat 1373, 53 C.P.R. (3d) 216 (F.C.A.), leave to appeal to S.C.C. refused 1994 CarswellNat 3004. On what constitutes use “in the normal course of trade,” see also *Lin Trading Co. v. CBM Kabushiki Kaisha* (1988), 21 C.P.R. (3d) 417, [1989] 1 F.C. 620, 25 F.T.R. 80 (note), 20 C.I.P.R. 1, 93 N.R. 321 (F.C.A.); *Citrus Growers Assn. Ltd. v. William D. Branson Ltd.* (1990), 36 C.P.R. (3d) 434, [1990] 1 F.C. 621, 32 F.T.R. 53 (F.C.T.D.).

³⁷ TMA, *supra* note 5, s. 4(2). The definition of use in respect of service marks is potentially broader than use in respect of wares given the absence of an explicit “normal course of trade” requirement. Uses merely ancillary to the sale of goods, such as on invoices or in correspondence, have been held to satisfy subsection 4(2). See, e.g., *Hartco Enterprises Inc. v. Becterm Inc.*, 1989 CarswellNat 509, 23 C.I.P.R. 267. The advertising of services in Canada has been held not to be sufficient use in the absence of services delivered in Canada. See, e.g., *Porter v. Don the Beachcomber*, 1966 CarswellNat 37, [1966] Ex. C.R. 982. Questions remain as to when the use of a trademark on the Internet can constitute “use” in Canada under subsection 4(2). See, e.g., *Express File Inc. v. HRB Royalty Inc.*, 2005 FC 542, 2005 CarswellNat 994, 273 F.T.R. 82 (Eng.), 39 C.P.R. (4th) 59 (F.C.); *HomeAway.com Inc. v. Hrdlicka*, 2012 FC 1467, 423 F.T.R. 156 (Eng.), 2012 CarswellNat 5339 (F.C.). Despite these discrepancies and uncertainties, this section was untouched by the amendments.

³⁸ Under section 5, “[a] trade-mark is deemed to be made known in Canada by a person only if it is used by that person in a country of the Union, other than Canada, in association with goods or services, and (a) the goods are distributed

any case, an applicant must provide, in the application, either the date of first use of the mark in Canada, the name of the country in which the mark has been used in association with the relevant goods or services, or in the case of a proposed mark, a statement that the applicant intends to use the trademark in Canada.³⁹ The current position can be summed up thus: “[i]n order to obtain a registration for a trademark in Canada, there must be use. The use does not necessarily have to be in Canada and it does not have to be under way at the time the application is filed, but ultimately, at least by the end of the registration process, there must be use.”⁴⁰

Support for the proposition that Canada’s trademark regime is fundamentally use-based is also found in the statutory grounds for invalidity and expungement of registered marks. One cannot simply occupy the mark on the register. The registered owner must ensure that the trademark continues to function as a trademark that distinguishes source,⁴¹ and must use the mark substantially as registered or risk having it challenged as invalid for

in association with it in Canada, or (b). . . advertised in association with it” in Canadian printed publications or radio broadcasts, through which it has “become well known in Canada.” Subsection 16(2) requires use of the foreign-registered mark within the meaning of section 4. *Ibid.* ss. 5, 16(2). Section 5 reflects Canada’s obligations under article 6bis of the *Paris Convention for the Protection of Industrial Property*, while subsection 16(2) is thought to satisfy Canada’s obligations under article 6quinquies. See *Paris Convention for the Protection of Industrial Property*, 20 March 1883, 828 UNTS 305, 21 U.S.T. 1583 (entered into force 7 July 1884, revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1958, and at Stockholm on July 14, 1967, and amended on September 28, 1979; accession by Canada 21 August 1923) arts. 6bis, 6quinquies [*Paris Convention*].

³⁹ TMA, *ibid.* paras. 30(a)-(e).

⁴⁰ Keltie R. Sim & Margaret Ng Thow Hing, “Trademark Registration in Canada: The Thorny Issue of Use” (2010) 100:6 Trademark Reporter 1263 at 1265.

⁴¹ TMA, *supra* note 5, s. 18(1)(b). Distinctiveness is “a question of fact with the test being whether a clear message has been given to the public that the wares with which the trademark is associated *and used* are the wares of the trade-mark owner and not those of another party”: *Bodum USA Inc. v. Meyer Housewares Canada Inc.*, 2012 FC 1450, 106 C.P.R. (4th) 77, 423 F.T.R. 34 (Eng.) (F.C.) at [14]-[15] [emphasis added], citing *Philip Morris Inc. v. Imperial Tobacco Ltd.*, 1985 CarswellNat 805 (F.C.T.D.) at [75]-[78], *aff’d* 1987 CarswellNat 702 (F.C.A.). See also *Aladdin Industries Inc. v. Canadian Thermos Products Ltd.*, [1969] 2 Ex. C.R. 80 (Can. Ex. Ct.).

abandonment.⁴² Even minor alternations are “playing with fire”:⁴³ changes in the mark as used, including deviations in the quality or source of the goods and services to which it is attached, risk compromising the integrity of the message conveyed to consumers and could jeopardize protection by virtue of loss of distinctiveness, abandonment or non-use. A registered mark will not be “abandoned” if its owner can demonstrate an intention to commence or resume using it in Canada; but it can nonetheless be struck from the register in the absence of any *actual* use.⁴⁴ Section 45 of the *Trade-marks Act* facilitates housekeeping by the Registrar to clear the deadwood from the register. The Registrar may at any time give notice to a registered owner requiring a sworn affidavit or statutory declaration showing, with respect to each of the goods or services, that the trademark was in use in Canada at any time during the preceding three-year period. Section 45 also allows any person, from three years following registration, to pay the prescribed fee and make a written request to the Registrar to give such notice. In either case, the owner has three months to provide evidence of actual use of the mark in Canada.⁴⁵ In the absence of use or special circumstances excusing non-use, the registration is liable to be expunged or amended accordingly.⁴⁶

⁴² TMA, *supra* note 5, s. 18(1)(c). This is subject to section 41, which allows a registrant to request a cancellation of the registration or enter permitted changes. *Ibid.* s. 41. To establish abandonment, the challenging party must establish that the registered mark is no longer in use in Canada and an intention to abandon the mark. See *J.A. & M. Cote Ltee v. B.F. Goodrich Co.* (1949), 14 C.P.R. 33 at 58. An abandoned mark will always be an unused one, but an unused mark may not always be abandoned.

⁴³ *Promafil Canada Ltee v. Musingwear Inc.* (1992), 44 C.P.R. (3d) 59 at [38] (F.C.A.), leave to appeal to S.C.C. refused (1993), 156 N.R. 240 (note), 47 C.P.R. (3d) v (note) (S.C.C.).

⁴⁴ See Teresa Scassa, *Canadian Trademark Law*, 2nd ed., (Toronto: Lexis Nexis, 2015) at 339-54. Not just any use will do: use must not be a mere “token use”; and it must be of the mark *as registered*. See e.g., *Padcon Ltd. v. Gowling Lafleur Henderson LLP*, 2015 FC 943 (F.C.), online < <https://www.canlii.org/en/ca/ftc/doc/2015/2015fc943/2015fc943.html> > . See also Kerri, Grainger *et al.*, “Tricky Trademark Use Issues: United States and Canada” (15 February 2013) vol. 68 No. 4 *INTA Bulletin*, online: < <https://www.inta.org/INTABulletin/Pages/TrickyTrademarkUseIssuesUnitedStatesandCanada.aspx> > .

⁴⁵ TMA, *supra* note 5, s. 45(1).

⁴⁶ *Ibid.* s. 45(3). See, e.g., *Scott Paper Ltd. v. Smart & Biggar*, 2008 FCA 129, 65 C.P.R. (4th) 303, 291 D.L.R. (4th) 660, 377 N.R. 173 (F.C.A.).

In combination, these statutory requirements for obtaining and retaining a valid trademark registration reflect the centrality of use in Canada's trademark system. As Paul Tackaberry explains: "[b]ecause trademarks are symbols of source and/or quality, they do not exist in the abstract, but only in the marketplace (that is, as a result of use in Canada or, in the case of former subsection 16(2), outside Canada)."⁴⁷ Tackaberry suggests that the threshold requirement for use is therefore comparable to the fixation requirement in copyright law or the utility doctrine in patent law, each of which ensures that intellectual property protection does not attach to subject matter that is "merely conceptual."⁴⁸ Indeed, we would go one step further to suggest that, in the Anglo-Canadian trademark tradition, use occupies a role roughly equivalent to copyright's core doctrine of originality, going as it does not only to the form in which the work must exist, but to the very nature of the thing and the reason for its protection by law. Just as the doctrine of originality determines authorship in copyright law (and so is the *sine qua non* for copyright protection),⁴⁹ use is what allows a mark to perform its communicative function — that is, distinguishing trade source in the marketplace — and so is the *sine qua non* for trademark protection. It is the use of a trademark in the marketplace that effectively "authors" the mark—and thereby authorizes its private enclosure.

The central role that use has played in the acquisition and maintenance of rights is, however, now cast into doubt. As amended, subsection 16(1) will provide that

[a]ny applicant who has filed an application in accordance with subsection 30(2) for the registration of a registrable trademark is entitled. . .to secure its registration in respect of the goods or services specified in the application, unless at the filing date of the application or the date of first use of the trademark in Canada, whichever is earlier, it was confusing with (a) a trademark that had been previously used in Canada or made known in Canada by any other person; (b) a trade-mark in respect of which an application for registration had been previously filed in Canada by any other person; or (c) a trade-name that had been previously used in Canada by any other person.⁵⁰

⁴⁷ Tackaberry, *supra* note 7 at 1333.

⁴⁸ *Ibid.*

⁴⁹ *Cp. Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991), at 10].

Simply put, the new basis for entitlement to register will be the filing of an application to register. The amended Act will no longer distinguish between marks that have been used in Canada and those registered abroad or merely proposed to be used. Applications for registrable marks will be able to proceed directly to registration without any need to commence or declare use⁵¹ — and so, without ever having been used *anywhere*.

While first use will persist as ground for asserting priority,⁵² and extended non-use will continue to be a basis for expungement,⁵³ the coming into force of EAPA would remove the role of actual use as the foundation and precondition of the trademark owner's claim to right under the registration system. In this way, it would also widen the gap (both in practice and principle) between the registered trademark scheme and the common law protection against passing off. The common law protects only marks that have been used in such a way as to have acquired reputation and goodwill in the relevant marketplace.⁵⁴ As things stand, the registered trademark system protects only marks that have been "used. . .for the purpose of distinguishing or so as to distinguish the source of wares of services."⁵⁵ A mark that has not been used cannot be protected under either system, while the protection of a mark can be understood, in both systems, to confirm title established through use. Under the law as amended, rights that flow through the registered trademark scheme will lose this intimate connection to common law title. An applicant will become an owner of a registered mark *before* he establishes himself as a "proprietor" through use of the mark.

This shift in the law also undermines the source identifying function of a trademark as a precondition for its registrability. To be sure, distinctiveness will remain a condition for registration.⁵⁶ While marks can be "inherently distinctive" and so be "adapted so

⁵⁰ TMA, *supra* note 5, s. 16(1) as amended by EAPA, *supra* note 14, s. 330(1).

⁵¹ EAPA s. 345 repeals section 40 of the TMA. EAPA, *ibid.* s. 345.

⁵² *Per* TMA, *supra* note 5, s. 16(1)(a), as amended by EAPA, *ibid.* s. 330.

⁵³ *Per* TMA, *ibid.* s. 45, as amended by EAPA, *ibid.* s. 349.

⁵⁴ *Consumers Distributing Co. v. Seiko Time Canada Ltd.*, [1984] 1 S.C.R. 583, 1984 CarswellOnt 869; *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120, 1992 CarswellOnt 1007, 44 C.P.R. (3d) 289.

⁵⁵ TMA, *supra* note 5, s. 2.

⁵⁶ EAPA s. 345 adds, into subsection 37(1) of the TMA, that the Registrar shall

to distinguish” source prior to actual use, the use criteria for registration currently ensures that a registered mark actually functions as a trademark (that is, being *used* for the purpose of or so as to distinguish trade source) before it can secure the significant advantages that registration confers.⁵⁷ One might have expected this “use of use” to become increasingly important given the newly expanded definition of a mark to include non-traditional signs that may have multiple meanings as signifiers (scents, sounds, location of designs) as well as multiple non-signifying functions (including aesthetic functionality). Where the scent of a household cleaner, say, performs the functional task of making a cleaned surface smell nice, the scent is used as a feature of the product but not necessarily “used” in the trademark sense to distinguish source. Similarly, the placement of a stripe along the sole of a shoe could perform the aesthetic function of making it more attractive, and/or the trademark function of distinguishing source.⁵⁸ A lack of attention to trademark use in determining the registrability of such non-traditional marks, in particular, could exacerbate the risk of registering functional product features as trademarks when they do not operate as such in the minds of consumers.⁵⁹ The likely result is

refuse an application for the registration of a trademark if satisfied that “(d) the trademark is not distinctive.” EAPA, *ibid.* s. 345.

⁵⁷ See G.F. Henderson, gen. ed., *Trade-Marks Law of Canada* (Toronto: Carswell, 1993) at 84; David Vaver, *Intellectual Property Law: Copyrights, Patents, Trade-marks*, 2nd ed. (Toronto: Irwin Law, 2011) at 434; Amani & Craig, *supra* note 4 at 275-77.

⁵⁸ This is reflected in the current practice of the Registrar: “At present, a mark which is primarily functional or . . . which consists of ornamentation applied to goods for the purpose of enhancing the appearance of the goods is not necessarily proper subject matter for a registrable trademark.” *CIPO Trade-mark Examination Manual*, Section IV.2, online: <<https://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr03636.html#iv.2>>. See also, CIPO Practice Notice on Three-Dimensional Marks (2000), online: <<http://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr00183.html>>. See, e.g., *Adidas (Canada) Ltd. v. Collins Inc.* (1978), 38 C.P.R. (2d) 145, 1978 CarswellNat 690.

⁵⁹ In opposition proceedings regarding an application to register colour placement on a pill sheet, Member Flewelling observed: “The Mark is of a non-traditional nature which makes it more difficult for the applicant to establish that it has been using the Mark *as a trade-mark*. Contrary to traditional trademarks (*i.e.*, words, logos, slogans) it will arguably be less obvious when colours are applied to the surface of a product that they are acting as a trademark. . . .”

not only the unwarranted registration of non-marks, but also the monopolization of functional features with potentially anti-competitive consequences.⁶⁰

In theory, at least, the requirement of distinctiveness should mitigate this risk. Under the revised Act, the Registrar may request that the applicant furnish evidence “that the trademark is distinctive at the date of the application for its registration” in various contexts, including where the application is for non-traditional marks⁶¹ or where the “Registrar’s preliminary view is that the trademark is not inherently distinctive.”⁶² However, this suggests that the request for evidence of distinctiveness is subject to the Registrar’s discretion,⁶³ and that a trademark that is not inherently distinctive may nonetheless be registrable with evidence of its distinctiveness. In light of the amendment to the definition of “trademark,” it seems possible that distinctiveness could be established even in the absence of any technical “use” in Canada (by virtue of the advertising of goods, for example, or demonstrated reputation abroad).⁶⁴

Distrimed Inc. v. Richards Packaging Inc., 2012 TMOB 199, 108 C.P.R. (4th) 33, 2012 CarswellNat 4873 (T.M. Opp. Bd.) at [27] [emphasis in original]. The Board found that the Applicant had failed to establish either trademark use or distinctiveness by virtue of the design’s uniqueness or “through use such that consumers associated the Applicant’s Wares with a single source of manufacture or supply.” *Ibid.* at [53], citing *Novopharm Ltd. v. Bayer Inc.* (1999), 3 C.P.R. (4th) 305 (F.C.T.D.). Use, both as a precondition of registration and a component of distinctiveness, was key to preventing the registration of this functional, non-traditional get-up.

⁶⁰ An interested party could, by application to the Federal Court, seek the expungement of a registration that is likely to unreasonably limit the development of any art or industry. EAPA, *ibid.* s. 331, adds section 18.1, which essentially replaces subsection 13(3) of the TMA, *supra* note 5. Under paragraph 13(1)(b) of the TMA, a distinguishing guise was registrable only if “not likely unreasonably to limit the development of any art or industry.” The repeal of this paragraph by section 327 of the EAPA, *supra* note 14, places the burden of limiting overbroad claims on private parties seeking expungement rather than the Registrar at the time of application.

⁶¹ TMA, *supra* note 5, ss. 32(1)(c)-(d), as amended by EAPA, *ibid.* s. 339.

⁶² EAPA, *ibid.* s. 339, replacing the current s. 32 provision.

⁶³ EAPA did, however, add as an explicit basis upon which the Registrar “shall refuse an application for registration” paragraph 37(1)(d): that “the trade-mark is not distinctive.” *Ibid.* s. 342(2).

⁶⁴ Section 2 of the TMA currently defines “distinctive,” in relation to a trademark,

Under the amended law, an applicant will not be required to state the date of first use in the application, even if the mark has in fact already been used in Canada. While a prior user will still have priority over a later user or applicant to register, it is unclear how would-be opponents will know whether they have an entitlement claim worth pursuing. Nor will the applicant for a proposed mark need to include a statement that it “intends to use the trade-mark in Canada.”⁶⁵ This potentially narrows the scope for alleging false claims of use to invalidate a registration. Nevertheless, if an applicant under the revised regime is not using the mark and does not intend to use the mark, the statement that the trademark is used or proposed to be used, as required under the revised paragraph 30(2)(a), should constitute a false or bad faith statement invalidating the registration. A lack of intent to use may also be raised as a new ground of opposition under paragraph 38(2)(e): “. . .at the filing date of the application in Canada, the applicant was not using and did not propose to use the trade-mark in Canada. . . .” This affords at least a limited means by which to stymie bad faith efforts to register marks in the absence of any genuine intent to use. It is unclear, however, on what kind of evidence an opponent could satisfy the Registrar of an absence of intent to use; proving a negative is challenging at the best of times, and likely to be harder still with regard to something as subjective and unknowable as the applicant’s future intentions. To require such proof from an opposing party shifts the burden away from the Trademarks Office and onto the shoulders of private citizens.

Significantly, while the proposed law reforms will remove use as the basis for registration of a mark, they will not impact the use analysis when the validity of a mark is challenged for abandonment

as meaning “a trade-mark that actually distinguishes the goods or services in association with which it is used by its owner from the goods or services of others or is adapted so to distinguish them.” TMA, *supra* note 5, s. 2 (“distinctive”). Because the definition of “trademarks” will include “a sign or combination of signs that is proposed to be used by a person for the purpose of distinguishing” their goods or services, there is at least technically no requirement that a mark has been “used” within the meaning of section 4 in order to establish the necessary distinctiveness to register.

⁶⁵ This requirement is currently contained in paragraph 30(1)(e) of the TMA. *Ibid.* s. 30(1)(e).

or its expungement sought for non-use.⁶⁶ Technical use in Canada will remain essential to retaining registration over time. Section 45 summary expungement proceedings for non-use will, however, be subject to limited but substantive reform.⁶⁷ As well as insulating the registered owner from the requirement to furnish evidence of use for three years following registration, the EAPA would give the Registrar new discretion to limit the request to specific goods or services rather than requiring evidence for “each of the wares or services specified in the registration” as currently required.⁶⁸ Typically, section 45 proceedings are initiated upon request, however, and so the burden falls on private actors to proactively clear unused marks through a costly procedure.⁶⁹ Furthermore, with the removal of use as a requirement of registration, there is nothing on the face of the Act to prevent an owner whose mark has been expunged for non-use from immediately applying to re-register the mark.⁷⁰ Even without commencing use, in the absence of any intervening third party use, the expunged mark could be

⁶⁶ That “the trademark has been abandoned” remains a ground for invalidity under paragraph 18(1)(c) of the TMA. See *supra*, note 42.

⁶⁷ TMA, *ibid.* s. 45(1) as amended by EAPA, *supra* note 14, s. 349.

⁶⁸ Section 45 currently allows the Registrar to seek evidence of use of the mark by a registered owner “at any time.” EAPA section 349 amends section 45 to place the Registrar on equal footing with third parties, having to wait until “after three years beginning on the day on which a trademark is registered” to request an affidavit or statutory declaration showing use of the mark. Further procedural requirements are provided for in ss. 45(2)-(2.2) as amended by EAPA, *ibid.*

⁶⁹ See Canadian Intellectual Property Office (CIPO), “Section 45 Proceedings”, online: < https://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/h_wr01843.html#overall > .

⁷⁰ As Tara Aaron and Axel Nordemann explain (citing GC judgment of December 13, 2012, in case T-136/11, *pelicantravel.com s.r.o. v. OHIM* [PELIKAN], [27]; and CJEU, judgment of June 11, 2009, in case C-529/07, *Chocoladefabriken Lindt & Sprüngli AG v. Franz Hauswirth GmbH* [Goldhase], [44]), a Community Trademark application that simply repeats a previous CTM application to attempt to circumvent the use requirement will usually be deemed a bad-faith application. Tara M. Aaron & Axel Nordemann, “The Concepts of Use of a Trademark under European Union and United States Trademark Law” (2014) 104:6 Trademark Reporter 1186 at 1232-33. Such a conclusion could be available in Canada, although it is not expressly provided for in the amended legislation. Similarly, bad faith false declarations of use have been held to invalidate registration, without explicit statutory basis: *e.g.*, *Unitel Communications Inc. v. Bell Canada* (1995), 61 C.P.R. (3d) 12 (Fed. T.D.), cited in

validly re-registered on the basis that the former registrant still proposes to use it. Finally, it should be noted, in the absence of any section 45 notice or claim of invalidity, an unused mark can continue to reside on the register indefinitely. Section 46 was revised to require renewal of registration after 10 years (rather than 15), but nothing in the amendments makes such renewal dependent upon a demonstration — or even a declaration — of use.⁷¹

It bears emphasis that these foundational changes to the *Trade-marks Act* have been presented to the public as mere technicalities in service of a more streamlined and efficient registration system, allowing Canada to “catch up” with its trading partners and international practices.⁷² In fact, these changes implicate an important matter of principle: they rewrite the *jus of use* in our trademark law; and they undercut the *use of use* as a threshold and mediating factor in the regulation of registered trademarks. Nor is there a readily discernible benefit to be gained by the Canadian public from the changes: the increased ease with which foreign traders may register and protect proposed marks in Canada will not necessarily translate into an increased quantity or quality of wares or services offered to Canadian consumers (indeed, the opposite may be true). That such changes have been made without the fulsome public deliberation one would expect from the parliamentary process in a liberal democracy makes them all the more worrisome, particularly given their potential to adversely impact local entrepreneurs and public interests. If implemented in their current form, these changes will necessarily precipitate a fundamental shift in how we understand and rationalize trademark protection. It will become imperative to reconsider questions regarding the constitutionality — and general legitimacy — of the federal scheme. With this groundwork laid, we now turn to review the role played by the *jus of use* in producing the socially desirable market behaviours and economic activity that have traditionally

Miranda Aluminum Inc. v. Miranda Windows & Doors Inc., 2009 CarswellNat 1935, 2009 FC 669.

⁷¹ EAPA, *supra* note 14, s. 350.

⁷² See, e.g., Canadian Intellectual Property Office [CIPO], “Trademarks legislative changes and International Treaties”, online <<https://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr03964.html>>: “Participation in the international treaties will modernize Canada’s IP systems to better align with international best practices, reduce the administrative burden for innovative Canadian businesses, and draw foreign investment to Canada.”

provided the rationale for trademark protection in the Anglo-Canadian system and under federal constitutional power.

3. THE *JUS* OF USE

The underpinnings of trade identity law developed through the common law in response to the needs and demands of merchants, their competitors, and customers. Canada, like other countries that derived their legal systems from the United Kingdom, has based protection for trade identity and marks on use of a mark or other indicia and the resultant goodwill that such use generates.⁷³ Trademarks in Canada are thus protected both at common law and under the federal legislative scheme of the *Trade-marks Act*, which provides a definition for “trade-mark” that is not limited to registered marks. Accordingly, it applies to both registered and unregistered trademarks, but only as defined: “a mark *that is used* by a person for the purpose of distinguishing or so as to distinguish goods or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others.”⁷⁴

(a) The Honest Trader

The very terminology of “trade-mark rights” conveys an essential commitment: the grant of legal protection to a mark is given in respect of a mark used *in trade*. The *Merriam-Webster's Dictionary* defines “trade” as “the business of buying and selling or

⁷³ See Edward S. Rogers, *Good Will, Trade-Marks and Unfair Trading* (Chicago: A.W. Shaw, 1914) ch. IV; Benjamin G. Paster, “Trademarks — Their Early History” (1969) 59:8 *Trademark Reporter* 551; cited by Beverly W. Pattishal, “The Use Rationale and the Trademark Registration Treaty” (1974) 2:2 *APLA Q. J.* 97 W. at 97-98.

⁷⁴ TMA, *supra* note 5, s. 2 (“trade-mark”) [emphasis added]. The section 2 definition of “trade-mark” also includes (b) a certification mark and (c) a distinguishing guise. Use is currently a requirement of both as defined by s. 2, and a precondition for the registration of a distinguishing guise under section 13 of the TMA (which explicitly requires use in Canada), and a certification mark under section 23 (which defines registrability with reference to goods or services “in association with which the certification mark *is used*.”) [Emphasis added]. *Ibid.* ss. 13(1)(a), 23(1). The EAPA will repeal the “distinguishing guise” definition and section 13, while the “certification mark” definition will be amended to include a sign that is “proposed to be used.” Section 23 will be amended accordingly. EAPA, ss. 319, 327, 334.

bartering commodities;”⁷⁵ a “mark” as “a symbol used for identification or indication of ownership;”⁷⁶ and, when combined, a “trademark,” as “a device (such as a word) pointing distinctly to the origin or ownership of merchandise to which it is applied and legally reserved to the exclusive use of the owner as maker or seller.”⁷⁷ Such a practice-based understanding of a trademark accords with its historical evolution as a mark *used in the course of trade*. Gerald Ruston, in a fascinating account “On the Origin of Trademarks,”⁷⁸ traces the “practice of putting marks on goods.” He writes:

During 6,000 odd years an enormous variety of races, in all lands of the civilised world, have marked objects which they owned or made, for various purposes. Some of these marks. . . were. . . undoubtedly trademarks in the modern sense, that is to say marks denoting origin; others were clearly marks identifying the goods with their possessor.⁷⁹

While distinguishing between a possessor mark and a trademark, Ruston notes that “this distinction lies in the use the mark was put to, and in turn on the conditions of trading and law which existed. . . . [T]he same mark, placed by the same person on the same goods, might serve both purposes at different times.”⁸⁰ By way of example, the old practice of branding cattle served to identify ownership of the cattle as property. Once the cattle were sold, “the brand would immediately become a trademark and tell any purchaser who had reared the animal[s].”⁸¹ As such, the brand also served a consumer protection role through the information it communicated about the goods’ provenance. Ruston offers further

⁷⁵ *Merriam-Webster*, *sub verbo* “trade”, online: < <http://www.merriam-webster.com/dictionary/trade> > .

⁷⁶ *Ibid.* *sub verbo* “mark”, online: < <https://www.merriam-webster.com/dictionary/mark> > .

⁷⁷ *Ibid.* *sub verbo* “trademark”, online: < <https://www.merriam-webster.com/dictionary/trademark> > .

⁷⁸ Gerald Ruston, “On the Origin of Trademarks” (1955) 45:2 *Trademark Reporter* 127, drawing from the work of Frank I. Schechter, *The Historical Foundations of the Law Relating to Trade-marks* (New York: Columbia University Press, 1925).

⁷⁹ *Ibid.* at 127.

⁸⁰ *Ibid.* at 127-28.

⁸¹ *Ibid.* at 128.

examples: stone-age pottery bearing “markings of perhaps 5000 BC”;⁸² signs on jars buried in the tombs of 1st Dynasty Egyptian kings; as well as on tools and building stones marked “by names of gangs of slaves who quarried or transported them.”⁸³ While some such markings were descriptive of contents, others were clear indications of the producer or origin. In Greece, from 400 BC, common goods were marked with the symbols of potters, painters and official marks.⁸⁴ In Rome, makers’ marks were used on a wide array of objects from medicine and wine to bronze vessels, with some 6000 Roman potters’ marks (*sigilli*) being known and analyzed.⁸⁵ Where marks had value, imitations followed; even then, counterfeits emerged by corollary, marked with copies of the Roman *sigilli*.⁸⁶ Ruston traces the use of marks through the Middle East and Transylvania (dating back possibly as far 5000 BC).⁸⁷ One of the great mysteries of the Dark Ages, we are told, is the disappearance of trademarks from pottery (although sword blades continued to be marked), while by the Middle Ages, “trade-marks became compulsory in respect of a great many different kinds of merchandise.”⁸⁸ Later still, Ruston documents the settlement of agricultural communities who “used marks as land or boundary marks and ultimately placed them on their houses. Those who became merchants incorporated them into their trademarks. . . .”⁸⁹ Three kinds of marks became “canalised into systems of common or statute law” during this period: the family or House Mark; private trade-marks voluntarily adopted; and the compulsory system of marking.⁹⁰ Common to all three was that the mark connoted a relationship with an object and its source that was based on, and forged by, honest use and was known to the relevant community.⁹¹ The criminal law against counterfeits was the first

⁸² *Ibid.*

⁸³ *Ibid.* at 130-31.

⁸⁴ *Ibid.* at 132.

⁸⁵ *Ibid.*

⁸⁶ *Ibid.* at 133.

⁸⁷ *Ibid.* at 134.

⁸⁸ *Ibid.* at 134-35.

⁸⁹ *Ibid.* at 130.

⁹⁰ *Ibid.* at 136.

⁹¹ Indeed with the family or house mark, “the penalty for fraudulently putting

form of protection of marks and the precursor to modern day trademark legislation.⁹²

With the development of a market economy, the common law evolved to protect markets and promote good behaviour by extending legal protection for the reputation of goods, title, trade identity and dress. The law thus guarded competitors' economic interests against impropriety and misrepresentation. From the tort of conspiracy and intentional interference with economic relations⁹³ to injurious falsehood⁹⁴ and even misappropriation,⁹⁵ the reach of tort law has stretched to capture and protect underlying economic interests where courts have perceived unfair competition and restraint of trade. Such is the origin of the common law tort of passing off, which gradually evolved to protect any indicia in which a trader had built a reputation and goodwill.⁹⁶

one's own mark on another's goods was banishment, which meant death by starvation." *Ibid.*

⁹² Currently, an expansive set of criminal regulations govern "forgery of trademarks and trade descriptions" under sections 406-21 of the Canadian *Criminal Code*, R.S.C. 1985, c. C-46, including criminal passing off (s. 408), with penalties ranging from up to two years of imprisonment as an indictable offence (s. 412(1)(a)) or a fine and/or imprisonment of up to six months as a summary offence (ss. 412(1)(b), 787(1)).

⁹³ *E.g., Mogul Steamship Co. v. McGregor, Gow & Co.* (1892), [1892] A.C. 25, [1891-94] All E.R. Rep. 263 (U.K. H.L.).

⁹⁴ *E.g., Ratcliffe v. Evans* (1892), [1892] 2 Q.B. 524, [1891-94] All E.R. Rep. 699 (C.A.).

⁹⁵ Though doubt remains as to the existence and scope of the tort of misappropriation, the U.S. Supreme Court case of *International New Service v. Associated Press*, 248 U.S. 215, 39 S.Ct. 68, 63 L.Ed. 211 (1918) exemplifies the judicial instinct to protect against free riding as unfair competition through the recognition (or creation) of quasi-proprietary interests over commercially valuable intangibles. But see *Moorgate Tobacco Co. Ltd. v. Philip Morris Ltd.* (1984), 56 A.L.R. 193, 156 C.L.R. 414 (H.C.A.); see also *Swedac Ltd. v. Magnet & Southern Plc.*, [1989] 1 F.S.R. 243 (H.C.), *Westfair Foods Ltd. v. Jim Pattison Industries Ltd.* (1990), 45 B.C.L.R. (2d) 253, 68 D.L.R. (4th) 481 (B.C. C.A.).

⁹⁶ *E.g., Powell v. Birmingham Vinegar Brewery Co. Ltd.*, [1896] 2 Ch. 54 (C.A.), aff'd [1897] A.C. 710 (U.K. H.L.). Justice LeBel, in *Kirkbi AG v. Ritvik Holdings Inc.*, describes the origins of passing off thus: "This tort has a long history. At a very early point in its development, the common law became concerned with the honesty and fairness of competition. For that reason, it sought to ensure that buyers knew what they were purchasing and from whom. It also sought to protect the interest of traders in their names and reputation. As far back as the 17th century, the court started to intervene. Actions based at first on some form

At common law, rights to control such indicia and to prevent their confusing use by others are thus premised on, and flow through, their use in the course of trade. Without trade, there can be no reputation, no goodwill and, therefore, no subject matter deserving of the law's protection.

This is not only the origin of our modern registered trademark system, but its present-day parallel. Eventually, the exigencies of industrialization necessitated a trademark registration system to offer better but complementary protection through a searchable register; its core condition remained, however, the market use-based, source-identifying function of the marks that resided on the register.⁹⁷ The concept of use as constitutive of the trademark's capacity to tell a true story as to trade source and quality — that is, its capacity to distinguish — continues to operate as the cornerstone of modern trademark law. Whatever their commercial evolution, the legal purpose of trademarks remains a guarantee of origin and, inferentially, an assurance as to quality. In both respects, the law demands good information for consumers by protecting against confusion and guaranteeing that the reputation of a product, good or bad, will affect the goodwill enjoyed by the producer. As the next section will show, the concept of use as integral to the rights of the trademark owner has significant judicial endorsement. Justice Binnie, for the Supreme Court of Canada in *Mattel U.S.A. Inc. v. 3894207 Canada Inc.*, explained:

of deceit were allowed. . . The modern doctrine of passing off was built on these foundations and because a part of Canadian law. Its principles now inform both statute and common law." *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65, [2005] 3 S.C.R. 302, 2005 CarswellNat 3631 at [63], LeBel J. [*Kirkbi*] [references omitted].

⁹⁷ The oldest trademark on the U.S. register, dating back to 1870, survives today because it is still in use. See Peter Smith, "Underwood's Deviled Ham: The Oldest Trademark Still in Use" (March 9, 2012), online: Smithsonian.com <<https://www.smithsonianmag.com/arts-culture/underwoods-deviled-ham-the-oldest-trademark-still-in-use-119136583/>> .

Unlike other forms of intellectual property, *the gravaman of trade-mark entitlement is actual use*. By contrast, a Canadian inventor is entitled to his or her patent even if no commercial use of it is made. A playwright retains copyright even if the play remains unperformed. But in trade-marks the watchword is “use it or lose it”.⁹⁸

The “trademark as distinguishing source-identifier” is not simply a story we tell ourselves about why the law intervenes in public markets to protect private interests in trade symbols; it is, rather, the story consistently told to us by the highest court in the land. Examining the implications of use, as the following judicial justifications reveal, is the primary mechanism by which the balance between fair and free competition has been sought, always with a view to protecting the actual link between symbol and source.

(b) Judicial Justifications

Trademark law is commonly rationalized as a means by which to protect both traders and the public against the consequences of unfair competition and deceptive trade practices. The Supreme Court of Canada, in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*,⁹⁹ observed that the purposes of the passing-off action could be explained with regard to “the persons who manufacture or market the products (‘the manufacturers’), on the one hand, and on the other to those for whom the products are intended, the persons who buy, use or consume them (‘the consumers’).”¹⁰⁰ Manufacturers who have built up goodwill have, in the eyes of the law, acquired quasi-proprietary rights in that goodwill and are entitled to be protected against harmful and unfair competitive practices. Consumers, moreover, are entitled to protection against dishonest trade practices that could confuse or deceive them. In this way, trademark law also serves a public interest and consumer protection function. Justice Gonthier concluded: “It is clear that

⁹⁸ *Mattel U.S.A. Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, [2006] 1 S.C.R. 772, 2006 CarswellNat 1400 [*Mattel*] at [5], Binnie J. [emphasis added].

⁹⁹ *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120, 1992 CarswellOnt 1007, 44 C.P.R. (3d) 289, Gonthier J.

¹⁰⁰ *Ibid.* at [38].

however one looks at the passing-off action, its purpose is to protect all persons affected by the product.”¹⁰¹

Landes and Posner have famously proposed an economic perspective for rationalizing trademark protection.¹⁰² Like other forms of intellectual property, trademarks are costly to create but cheap and easy to replicate. By limiting free riding, trademark law provides an incentive for traders to invest in the development of a mark and so to maintain the quality of the products associated therewith. The consumer benefits from this investment, as well as from the reduced search costs that flow from the mark’s capacity to identify the trade source in the marketplace.

Such a depiction of neatly aligned interests between different parties in their various capacities is not always easy to maintain. Both traders and consumers have an interest in free competition as well as fair competition; at the heart of trademark policy is the tension between these ideals. When the law intervenes to protect the rights or interests of one party to fair competition, this represents a choice to limit the means by which another may freely compete. Similarly, an intervention to prevent consumer confusion may limit the choice that would otherwise be available to consumers. Moreover, the public has interests that extend beyond the consumers’ interest in respect of particular goods or services, or the marketplace in general.¹⁰³ The Supreme Court of Canada has consistently emphasized the significance of “use” in mediating such interests and rationalizing the law’s intervention. In *Kirkbi*,¹⁰⁴ the court compares patent law’s focus on the protected product or process with the focus of trademark law:

In the case of trade-marks, the focus shifts from the product itself to the distinctiveness of its marketing. Trade-marks seek to indicate the source of a particular product, process or service in a distinctive manner, so that, ideally, consumers know what they are buying and from whom. The definition of trade-marks in s. 2 of the *Trade-marks Act*

¹⁰¹ *Ibid.* at [39].

¹⁰² See William M. Landes & Richard A. Posner, “Trademark Law: An Economic Perspective” (1987) 30:2 J. L. & Econ. 265.

¹⁰³ These include the ability to criticize a brand in an exercise of expressive freedom (e.g., through parody), or to share or receive information regarding a brand (e.g., through comparative advertising). See below, Part 4.

¹⁰⁴ *Kirkbi*, *supra* note 96.

confirms this focus on distinctiveness in the market and in the public[.]¹⁰⁵

Later, the court asks, “Can the mark be the product itself?” Answering “no,” it emphasizes the essential distinction between the trademark as symbol and the product to which it is attached:

The goodwill associated with [trademarks] is considered to be the most valuable form of property. However, despite its connections with a product, a mark must not be confused with the product - it is something else, a symbol of a *connection* between a source of a product and the product itself.¹⁰⁶

The amendments to the *Trade-marks Act* will effectively allow registered marks to be protected in their own right, without *in fact* symbolizing a connection between goods or services and their trade source. Seen in this light, the question in *Kirkbi* takes on new meaning, but the answer should remain unchanged: trademark law should protect the mark *as symbol*, not as a product in itself.

Trademarks gain symbolic value precisely because they are used in market trade. Over time, some allowance has been made for use that is not local when the goodwill associated with the mark is¹⁰⁷ — but only to the extent that goodwill has been *de facto* acquired in the particular field of activity.¹⁰⁸ Where legal protection has been conferred in the absence of use in the relevant market, it has been judicially rationalized as protecting the consumer familiar with the mark from confusion or deceit,¹⁰⁹ and not in recognition of any proprietary claim advanced as a matter of right by the trader (even

¹⁰⁵ *Ibid.* at [39].

¹⁰⁶ *Ibid.* [emphasis added].

¹⁰⁷ See *e.g.*, *Orkin Exterminating Co. v. Pestco Co. of Canada* (1985), 50 O.R. (2d) 726, 5 C.P.R. (3d) 433 (Ont. C.A.).

¹⁰⁸ For example, Walt Disney Productions successfully enjoined the launch of an amusement park called “Fantasyland” in the West Edmonton Mall: *Walt Disney Productions v. Triple Five Corp.* (1994), 17 Alta. L.R. (3d) 225, 1994 CarswellAlta 39, 113 D.L.R. (4th) 229, 149 A.R. 112 (Alta. C.A.). It was unable to enjoin use of “Fantasyland” for a hotel, however, because the mark had not been used, and so had no goodwill, in connection with hotels: *Walt Disney Productions v. Fantasyland Hotel Inc.* (1994), 20 Alta. L.R. (3d) 146 (Q.B.), *aff’d* (1996), 38 Alta. L.R. (3d) 441, 1996 CarswellAlta 367 (Alta. C.A.) [*WD Hotels*].

¹⁰⁹ This also explains why Canadian trademark law refrains from restricting parallel imports, for example, in the absence of consumer confusion. See *e.g.*,

against a competitor “cashing in” on the mark’s positive associations).¹¹⁰ The only association meriting protection in the eyes of the courts is the connection signified by the mark’s source-identifying function. Trademark owners’ successes in the struggle to expand the proprietary mappings of their marks have consistently been tied to use, acquired goodwill, and the likelihood of consumer confusion.

In *Mattel*, the Supreme Court noted:

Merchandising has come a long way from the days when “marks” were carved on silver goblets or earthenware jugs to identify the wares produced by a certain silversmith or potter. Their traditional role was to create a *link* in the prospective buyer’s mind between the product and the producer.¹¹¹

In declining to find that Mattel’s registered BARBIE mark had sufficient fame to transcend its limited use in association with dolls, the court opined:

The power of attraction of trade-marks and other “famous brand names” is now recognized as among the most valuable of business assets. However, whatever their commercial evolution, the legal purpose of trade-marks continues . . . to be their use by the owner “to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others”. It is a guarantee of origin and inferentially, an assurance to the consumer that the quality will be what he or she has come to associate with a particular trade-mark (as in the case of the mythical “Maytag” repairman). It is, in that sense, consumer protection legislation.¹¹²

The centrality of use as the basis of the trademark owner’s claim to right is most apparent, however, when the court compares the efforts that attract patent and copyright protection with those that generate trademark protections, arriving at a justification — and limiting principle — for trademark rights that turns on their use in the marketplace:

Consumers Distributing Co. v. Seiko Time Canada Ltd., [1984] 1 S.C.R. 583, 1984 CarswellOnt 869.

¹¹⁰ See, e.g., *WD Hotels*, *supra* note 108.

¹¹¹ *Mattel*, *supra* note 98 at [2] [emphasis added].

¹¹² *Ibid.*

a patentee must invent something new and useful. To obtain copyright, a person must add some expressive work to the human repertoire. In each case, the public through Parliament has decided it is worth encouraging such inventions and fostering new expression in exchange for a statutory monopoly The trade-mark owner, by contrast, *may simply have used* a common name as its “mark” to differentiate its wares from those of its competitors. Its claim to monopoly rests not on conferring a benefit on the public. . .but on serving an important public interest in assuring consumers that they are buying from the source from whom they think they are buying and receiving the quality which they associate with that particular trade-mark. Trade-marks thus operate as a kind of *shortcut to get consumers to where they want to go, and in that way perform a key function in a market economy*. Trade-mark law rests on principles of fair dealing. It is sometimes said to hold the balance between free competition and fair competition.¹¹³

Fairness, of course, requires consideration of the interest of the public and other merchants and the benefits of open competition as well as the interest of the trade-mark owner in protecting its investment in the mark. Care must be taken not to create a zone of exclusivity and protection that overshoots the purpose of trade-mark law. . . .¹¹⁴

The purpose of trade-marks is to create and symbolize linkages¹¹⁵

As the foregoing reasons make apparent, use of a mark in the activity of buying and selling goods or services is inherent to the basic concept of the trademark right: the value of the mark arises not from an abstract concept of property or just desert, but in the *relationship* that the trader has developed between her goods or services and her customers in connection with the mark. And, of course, this practice-based, goodwill-dependent concept of a trademark accords with its historical evolution over hundreds — even thousands — of years: that is, as a marking *used to identify a product’s source*. In short, trademark rights are, invariably, *user rights* — and not simply because use is the basis for acquisition of title, but also because use determines the scope of rights and their necessary limits in a market characterized by the presence of other users.

¹¹³ *Ibid.* at [21] [emphasis added].

¹¹⁴ *Ibid.* at [22].

¹¹⁵ *Ibid.* at [24], citing *Kirkbi*, *supra* note 96.

As David Vaver has noted, “[a] mark owner who lets its mark’s trade source message become muddled for any reason risks invalidity.”¹¹⁶ The meaning of the mark can easily be compromised, for example, when the owner treats a trademark as though it were akin to property by alienating it, whether by licence¹¹⁷ or assignment,¹¹⁸ while failing to ensure the integrity of its source-identifying message. Although legislation now permits assignment with or without the goodwill of a business and in connection with either all or some of the goods or services in association with which the mark has been used, a mark must consistently be used to identify the true trade source; any deviation can compromise its distinctive message, severing the relationship between the mark as signifier and the meaning it signifies to the relevant universe of consumers — and, in doing so, deprive it of the law’s protection.¹¹⁹

In *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, the Supreme Court reiterated this rationale for trademark protection, asserting that “the purpose of trade-marks is to function as a symbol of the source and quality of wares and services, to

¹¹⁶ David Vaver, *Intellectual Property Law*, 2nd. ed. (Toronto: Irwin Law, 2011) at 543.

¹¹⁷ See, e.g., *Abbott Laboratories Ltd. v. Apotex Inc.*, 1998 CarswellOnt 2159, 42 C.C.L.T. (2d) 317 (Ont. Gen. Div.) Abbott was denied an injunction to prevent the marketing of generic tablets having an appearance similar to its brand name tablets. The get-up was held not to distinguish Abbott as trade source given its licensing arrangements with a third party generic manufacturer. (*ibid.* at [5]). Rather, it was found to indicate therapeutic equivalence. (*ibid.* at [28]). See also *Eli Lilly & Co. v. Novopharm Ltd.*, 1997 CarswellNat 728, 130 F.T.R. 1, 73 C.P.R. (3d) 371 (F.C.T.D.) at [138].

¹¹⁸ See, e.g., *Wilkinson Sword (Canada) Ltd. v. Juda*, [1968] 2 Ex. C.R. 137, 51 C.P.R. 55, requiring a change in the trade source meaning of the mark to be accompanied by education of the public. See also *Heintzman v. 751056 Ontario Ltd.*, 1990 CarswellNat 819, 38 F.T.R. 210 (F.C.T.D.).

¹¹⁹ Under subsection 48(1) of the TMA, a mark is transferable and always deemed to have been so with or without the goodwill of the business and in respect to all or some of the wares or services in association with which it has been used. As per subsection 48(2), a mark may, nevertheless, be held not to be distinctive should such transfer result in confusion. Similarly, under section 49, a mere change of purpose is not enough to invalidate a mark; but a mark may be invalidated if such a change would obscure the message of the mark, rendering it not distinctive. TMA, *supra* note 5, ss. 48(1)-(2), 49, 18(1)(b). See also *Breck’s Sporting Goods Co. Ltd. v. Madger (trading as Sportcam Co.)* (1975), [1976] 1 S.C.R. 527 at [12].

distinguish those of the merchant from those of another, and thereby to prevent “confusion” in the marketplace.”¹²⁰

Finally, in the 2011 *Masterpiece Inc. v. Alavida Lifestyles Inc.* decision, Canada’s most recent Supreme Court decision on trademark law, Justice Rothstein wrote for the court:

Trade-marks in Canada are an important tool to assist consumers and businesses. *In the marketplace, a business marks its wares or services as an indication of provenance.* This allows consumers to know, *when they are considering a purchase*, who stands behind those goods or services. In this way, trade-marks provide a “shortcut to get consumers to where they want to go.” . . . Where the trade-marks of different businesses are similar, a consumer may be unable to discern which company stands behind the wares or services. Confusion between trade-marks impairs the objective of providing consumers with a reliable indication of the expected source of wares or services.¹²¹

As these decisions repeatedly make clear, “use” of a mark in commerce is an integral and constitutive feature of a trademark, and the *jus* of use provides the defining rationale for trademark protection. With the implementation of the amendments, we must wonder whether such judicial attitudes towards trademark law’s purpose will have to shift in response to the severing of protection from use. If (or when) they do, it will be interesting to see how courts rationalize the operation of a system that has abandoned the formative justification for the nature and scope of rights that it grants.

Part 2 demonstrated that the trader’s entitlement to a mark arises and survives only *through* the use of the mark. Part 3 has, to this point, shown how the *jus* of use feeds the spirit of trademark law (one might even say it is the trademark’s *au jus*, when we boil it down). The regime exists not to encourage the creation of trademarks, as the trademark is never the product nor end in itself. Rather, the federal regime regulating registered and unregistered marks is fundamentally, indeed constitutionally (as we argue next) aimed at the encouragement of free and fair trade.

¹²⁰ *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824, 2006 CarswellNat 1402 at [18], Binnie J.

¹²¹ *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27, [2011] 2 S.C.R. 387, 2011 CarswellNat 1613 at [1], Rothstein J. [emphasis added].

Canada's use-based system has established a deep-seated understanding of the trademark scheme as justified in light of the source-identifying function of trademarks when used in the marketplace. Their protection has thus become an accepted tool for encouraging fair competition and protecting consumers who encounter and interpret the mark as a signifier of source. By losing use as the basis for registration in the federal trademark legislation and undermining the *jus* of use as developed in our longstanding system of unfair competition law, the rationalizing rug is pulled out from under the registered trademark scheme.

(c) Constitutional Powers

Removing the gate-keeping use of use could also pull the constitutional rug out from under the federal parliament's powers. How will the federal government justify the exercise of the power to regulate trade and commerce in the absence of actual trade or commerce? As in the United States,¹²² patents and copyrights in Canada are expressly provided for under the federal power,¹²³ while federal trademark legislation depends for its constitutionality on the regulation of trade and commerce power.¹²⁴ Several cases have addressed the constitutionality of provisions of Canada's *Trade-marks Act* and, wherever they were held to be *intra vires*, the court pointed to the purpose of the relevant provision in rounding out a federal scheme that protects goodwill and prevents confusion in the marketplace. This, it seems, is the constitutional equation.

In *Vapor Canada Ltd. v. MacDonald*,¹²⁵ paragraph 7(e) of the Act, which purported to render unlawful "dishonest business practices," was held to be unconstitutional, though the remainder

¹²² See note 141 *infra* and accompanying text. Compare the Canadian and American position to that of Australia where the federal power to regulate trademarks, patents of inventions, and designs is explicitly conferred by section 51 of the Constitution of Australia. See *Commonwealth of Australia Constitution Act 1900*, s. 51(xviii), online: <https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution.aspx> .

¹²³ Subsections 91(22) and 91(23) of the *Constitution Act, 1867*, *supra* note 3.

¹²⁴ *Ibid.* ss. 91, 91(2).

¹²⁵ *Vapor Canada Ltd. v. MacDonald*, [1977] 2 S.C.R. 134, 22 C.P.R. (2d) 1, concerned a former employee absconding with trade-secrets. Paragraph 7(e) provided that no person shall "do any other act or adopt any other business practices contrary to honest industrial commercial usage in Canada." It was eventually repealed in 2014.

of section 7 was found in *obiter* to be of qualified validity “in so far as it may be said to round out regulatory schemes prescribed by Parliament in the exercise of its legislative power in relation to . . . trademarks.”¹²⁶ Subsection 7(b), which is widely understood to be a statutory version of passing off,¹²⁷ was subsequently held “*ultra vires* the federal legislative authority” in the trial level ruling of *Motel 6 Inc. v. No. 6 Motel Ltd.*¹²⁸ In an action that also attacked the validity of the defendant’s registered marks, Justice Addy “fail[ed] to see. . . how s. 7(b) itself can be said to ‘round off federal legislation regarding trademarks.’”¹²⁹ In *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*¹³⁰ and *Kirkbi*,¹³¹ the constitutionality of paragraph 7(b) was again tested but sustained insofar as it protects “trade-marks,” whether registered or unregistered, from harmful misrepresentation. In *Kirkbi*, the Supreme Court concluded that the paragraph is “remedial; its purpose is to enforce the substantive aspects of the *Trade-marks Act* relating to unregistered trade-marks.”¹³² Justice LeBel continued:

If trade-marks are intended to protect the goodwill or reputation associated with a particular business and to prevent confusion in the marketplace, then a comprehensive scheme dealing with both registered and unregistered trade-marks is necessary to ensure adequate protection. The inclusion of unregistered trade-marks in the regulatory scheme is necessary to ensure the protection of all trade-marks. The *Trade-marks Act* is more than simply a system of registration.¹³³

¹²⁶ *Ibid.* at [64]. Section 7 of the TMA is found under the heading of “Unfair Competition and Prohibited Marks” and effectively codifies unfair competition torts into the federal regime.

¹²⁷ Section 7(b) provides that no person shall “direct public attention to his wares, services or business in such a way as to cause or likely to cause confusion. . . between his wares, services or business and the wares, services or business of another.” TMA, *supra* note 5, s. 7(b).

¹²⁸ [1982] 1 F.C. 638, 127 D.L.R. (3d) 267 (F.C.T.D.)

¹²⁹ *Ibid.* at [105].

¹³⁰ *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*, [1987] 3 F.C. 544, 1987 CarswellNat 867 (F.C.A.), MacGuigan J.

¹³¹ *Kirkbi*, *supra* note 96.

¹³² *Kirkbi*, *supra* note 96 at [25].

¹³³ *Ibid.* at [31].

Two things are fundamental to this finding. First, what connects unregistered trademarks to the federal regime is their “use.” To be constitutionally valid, the codified protection against passing off was read down to apply only to those who can lay claim to a “trade-mark” as defined under section 2 of the *Trade-marks Act*, thereby importing the technical requirement of “use” as deemed under section 4. Second, what the federal regime seeks to protect is not just any use but use *as a trade-mark* to distinguish trade source thereby conferring a proprietary interest in the goodwill (the attractive force that brings in custom) of traders as opposed to in the mark *per se*. Indeed, in *BMW Canada Inc. v. Nissan Canada Inc.*,¹³⁴ BMW was unable to satisfy this technical “use” requirement in order to establish an unregistered trademark in “M” or “M6” and so was unsuccessful in enjoining Nissan’s use of similar marks. It is unclear whether Justice LeBel’s reasoning could continue to find traction in a post-amendment scheme with a reformed regulatory context that protects registered marks rather than used marks, whether registered or unregistered, in which goodwill resides. Without use, could it still be said that protection is premised on rights in the goodwill attached to a mark, rather than rights over the mark itself? And, if not, could this reignite the constitutionality question for the *Trade-marks Act* as a whole?

The Act as a whole was found to be constitutional by the Supreme Court in *Kirkbi*;¹³⁵ but that determination may become suspect if marks are protected on the basis of registration and in the absence of actual use. The amendments remove from the section 2 definition of a trademark “a mark that is used” and replace it with “a sign or combination of signs that is used or proposed to be used by a person for the purpose of distinguishing or so as to distinguish their goods or services from those of others.”¹³⁶ A trademark will be defined not on the basis of its use in the marketplace, but by its capacity (including only a potential but unrealized capacity) to distinguish source. Without requiring use as a precondition to ownership under the federal scheme, one might wonder whether the federal legislation could be justified as an exercise of Parliament’s trade and commerce power. By implication, where no actual use of a mark is required, there may be no actual trade or commerce

¹³⁴ *BMW Canada Inc. v. Nissan Canada Inc.*, 2007 FCA 119.

¹³⁵ *Kirkbi*, *supra* note 96.

¹³⁶ EAPA, *supra* note 14, s. 319(4).

associated with the applied-for mark.¹³⁷ Without trade, what remains is the bare assertion of title, as section 19 of the *Trade-Marks Act* confers an exclusive right to use the mark throughout Canada in respect of the goods and services in association with which it is registered. Moreover, subsection 53.2(1) confers to the court the power to order civil remedies in respect of any act done contrary to the *Trade-Marks Act*. Property and civil rights, in the absence of trade, are in the exclusive jurisdiction of provincial governments to regulate under subsection 92(13) of the Canadian Constitution.

In the United States, “no trade, no trademark” has long been a maxim of trademark law.¹³⁸ As established in the landmark *Trademark Cases*, Congress’ power to regulate trademarks flows from the “commerce clause” of the U.S. Constitution.¹³⁹ It follows that federal trademark legislation can be enacted only with respect to the kind of commerce that Congress has the power to regulate under this clause: only by instituting a “use in commerce” requirement was Congress able to create a national trademark system.¹⁴⁰ Just as the “use in commerce” requirement for registration found in the U.S. law is “rooted in the Constitutional limitations on what the legislative branch can govern,”¹⁴¹ so, too, is the use requirement for Canadian trademark registration rooted in the Constitutional limitations on the federal “trade and commerce” power. It is thus foreseeable that, once the legislative amendments are implemented, the constitutionality of the *Trade-marks Act* will be challenged anew — and rightly so.

¹³⁷ For an excellent discussion of the post-Amendment constitutionality of the federal regime, see Bereskin, “Constitutional Quicksand”, *supra* note 7.

¹³⁸ Willis Raymond Davis Jr., “Intent-to-Use Applications for Trademark Registration” (1989) 35:3 Wayne L. Rev. 1135 at 1141, citing *inter alia*, *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918).

¹³⁹ U.S. Const. art. I, §8 cl. 3. See *Trademark Cases*, 100 U.S. 82 (1879), cited in Davis Jr., *ibid.* at 1142.

¹⁴⁰ Aaron & Nordemann, *supra* note 70 at 1191. The first U.S. federal trademark statute, the *Trademark Act of 1870*, ch. 230, §§ 677-84, 16 Stat. 210 (1870), which did not require use, was considered unconstitutional *as per* the decisions in the *Trademark Cases*. See Davis Jr., *supra* note 138 at 1141-42.

¹⁴¹ Aaron & Nordemann, *ibid.*

4. LOSING THE USE OF USE

(a) Legitimacy Compromised

Critical as the constitutional division of powers may be to the legitimacy of the registered trademark scheme, the loss of use as a threshold requirement of protection ought not to be reduced to a technical matter of federal jurisdiction — there are broader constitutional principles at stake.¹⁴² In the absence of trademark use, applicants and registered trademark owners can accumulate marks as though they were mere assets, monopolizing meanings without advancing the underlying objectives of the regime. In the absence of trade, unused registered marks, operating as propertized commodities, will attract exclusive rights that may unduly hamper the freedom of other commercial and public actors to engage in commercial speech.¹⁴³

Canadian courts have yet to fully engage with or satisfactorily address the limits placed on freedom of expression by the protection and enforcement of trademark rights. Admittedly, this omission is not for want of opportunity: in *Cie générale des établissements Michelin-Michelin & Cie v. CAW-Canada*,¹⁴⁴ the defendant trade union argued that prohibiting the use of a corporate trademark in its organizing campaign would be an

¹⁴² Where Canada's international trade and investment agreements require intellectual property protection and enforcement, implementing legislation could fall under a liberally interpreted federal jurisdiction over trade, or as part of the general jurisdiction of the federal government to pass laws for the Peace, Order and Good Government of Canada in relation to matters not falling within the specific classes of subjects in sections 91 and 92. See *Vapor Canada v. MacDonald*, *supra* note 125 at [61]-[63].

¹⁴³ In *Council of Natural Medicine College of Canada v. College of Traditional Chinese Medicine Practitioners and Acupuncturists of British Columbia*, 2013 FC 287, 109 C.P.R. (4th) 260, the constitutionality of subparagraph 9(1)(n)(iii), an official marks provision, was challenged, *inter alia*, as *ultra vires* the federal power and in violation of the right of free expression under s. 2(b) of the *Charter of Rights and Freedoms*. For the latter claim, the requirement of use was seen to perform a gatekeeping function that supported a finding of minimal impairment of *Charter* rights. (*ibid.* at [99]).

¹⁴⁴ *Cie. générale des établissements Michelin-Michelin & Cie. v. CAW-Canada*, 1996 CarswellNat 2297, [1997] 2 F.C. 306, 124 F.T.R. 192, 71 C.P.R. (3d) 348, Teitelbaum J. [*Michelin*].

unconstitutional restriction on the right of freedom of expression as guaranteed by the *Canadian Charter of Rights and Freedoms*.¹⁴⁵ Finding no trademark infringement, the issue was moot; but the Federal Court was content to hold that the defendants' right to freedom of expression was not restricted by enjoining its use of the plaintiff's intellectual property: "The *Charter* does not confer the right to use private property - the Plaintiff's copyright - in the service of freedom of expression."¹⁴⁶ Recently, the Federal Court had another opportunity to examine the evident tension between free speech and trademark protection when it held, in *United Airlines, Inc. v. Cooperstock*,¹⁴⁷ that a consumer gripe site, *United.com*, infringed United Airlines' registered trademark. Even while issuing an injunction restraining the defendant's use of a parodic variation on the corporate logo, the court cursorily dismissed "the Defendant's suggestion that freedom of speech is at issue in this litigation."¹⁴⁸

The judicial refusal to identify and critically assess the tensions that transparently pervade the relationship between free speech rights and intellectual property suggests a general reluctance to embark on an exercise of constitutionally justifying the restrictions that trademark law places on speech.¹⁴⁹ While there is debate about

¹⁴⁵ *Canadian Charter of Rights and Freedoms*, Part I of the *Constitution Act, 1982*, being Schedule B to the *Canada Act 1982* (U.K.), 1982, c. 11 [*Charter*].

¹⁴⁶ *Michelin*, *supra* note 144 at [85]. Justice Teitelbaum explicitly stated that the conclusion would apply equally to the infringement provisions of the *Trade-marks Act*, at [82].

¹⁴⁷ *United Airlines, Inc. v. Cooperstock*, 2017 FC 616, 147 C.P.R. (4th) 251 (F.C.T.D.), Phelan J. [*Cooperstock*].

¹⁴⁸ *Ibid.* at [16]. For a fulsome discussion of the treatment of gripe sites and parody cases that predates this case, see Rosemary Coombe & Andrew Herman, "Culture Wars on the Net: Intellectual Property and Corporate Propriety in Digital Environments", online: <<http://www.nyu.edu/steinhardt/e/pdf/hum-socsci/mias/readings07/20.pdf>> .

¹⁴⁹ On the "perilous" balance between trademark and freedom of expression rights in Canada, see Teresa Scassa, "Trademarks Worth a Thousand Words: Freedom of Expression and the Use of the Trademarks of Others" (2012) 53 *Les Cahiers de Droit* 877 [*A Thousand Words*]. See also Carys J. Craig, "Perfume by Any Other Name May Smell as Sweet. . . But Who Can Say?: A Comment on *L'Oreal v. Bellure*" (2010) 22 I.P.J. No. 3, 319 at 323-31 [*Perfume*]. We have written separately on freedom of expression and intellectual property constraints on speech in the context of copyright law. See Carys J. Craig, "Putting the Community in Communication: Dissolving the Conflict between

whether registration confers a positive right to use the mark,¹⁵⁰ there is no debate that it confers a negative right to exclude — and thereby to silence — others from using the mark, a confusingly similar mark or even one likely to depreciate its value. Whether these restrictions on speech *can* be justified as a reasonable limit on the constitutional right of freedom of expression remains a bigger issue best left for another day.¹⁵¹ For our purposes, let us posit that prohibiting the confusing use and registration of a mark that is already used by another trader to identify source in the marketplace could be a reasonable limit on free commercial expression. Even if such a conclusion is taken as given, however, the removal of use as a precondition of statutory protection changes the constitutional equation in a subtle but important way. Arguably, restrictions on expression are reasonable under the use-based system because protection of a mark is fundamentally protection of its communicative function in relation to the wares or services with which it was associated by the purchasing public. The honest use of a trademark by the registered trademark owner can itself be conceived of as an expressive act worthy of the law's protection.

Freedom of Expression and Copyright Law” (2006) 56:1 U.T.L.J. 75; Bitá Amani, “Copyright and Freedom of Expression: Fair Dealing Between Work and Play” in Rosemary Coombe, Darren Wershler & Martin Zeilinger, eds., *Dynamic Fair Dealing: Creating Canadian Culture Online* (Toronto: University of Toronto Press, 2014) 43. In a forthcoming work, we consider freedom of expression and its limits in the context of the prohibition on scandalous, obscene and immoral marks in paragraph 9(1)(j) of the TMA: Bitá Amani & Carys Craig, “New Slants on Trademark Slurs and Immoral Marks” [*New Slants*] (on file with the authors).

¹⁵⁰ See *Molson Canada v. Oland Breweries Ltd.*, 2002 Carswell Ont 1747, 59 O.R. (3d) 607 (Ont. C.A.) at [16]; but see also *Cardinal v. Rogers Communications Inc.*, 2017 HRTO 570 (Ont. Human Rights Trib.), online: < <http://canlii.ca/t/h40m6> >, at [30]-[40]: “[N]either the *Trade-marks Act* nor the international treaties relied upon . . . provide an unfettered right to use a trade-mark that is immune from provincial laws of general application such as the *Code*.” (*ibid.* at [40]). See also Amani & Craig, “New Slants”, *ibid.*

¹⁵¹ Under section 1, the *Charter* “guarantees the rights and freedoms set out in it subject only to such reasonable limits prescribed by law as can be demonstrably justified in a free and democratic society.” The test established in *R. v. Oakes*, [1986] 1 S.C.R. 103, identifies criteria for assessing the constitutionality of such limits: the limiting law must pursue a sufficiently important objective; it must be rationally connected to that objective; it must impair the right no more than is necessary to accomplish it; and it must not have a disproportionately severe effect on the persons to whom it applies.

Without actual trade, however, in the absence of any reputation or distinctiveness acquired in connection with goods and services, and without any actual consumers to potentially confuse, such limitations are surely more difficult to justify. To fully protect *unused* marks just because they are sitting on a register has a far more tenuous (indeed, less rational) connection to the objectives of the law, and can hardly be said to “minimally impair” the rights and expressive freedoms of others.

In Canada, the technical requirement of trademark use has served as a filter not only for registrability but also for infringement. The system regulates the *use* of trademarks by non-owners — but not just any use. To infringe an owner’s right, a defendant must have used the registered mark or a confusingly similar mark in a commercial context and in a manner caught by the same statutory definition of trademark use. With the exception of claims alleging “depreciation of goodwill,” the unsuccessful defendant must also have “used” the mark “*as a trademark.*”¹⁵² By restricting the legal wrong to commercial, source-identifying uses of the mark, the law provides a significant safeguard for the public’s non-commercial, nominative or communicative engagement with the protected trademark.¹⁵³ If the transition to registering unused marks portends the increased propertization of trademarks, however, it may also expand the reach of the owner’s exclusive

¹⁵² See *Clairol International Corp. v. Thomas Supply & Equipment Co.*, [1968] 2 Ex. C.R. 552 [*Clairol*]. Using the registered mark as a trademark in association with the same goods or services will be an infringement under section 19; using a confusing mark as a trademark will be deemed infringement under section 20. Section 22 makes it an infringement to use a registered trademark “in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto,” potentially capturing uses that have neither the purpose nor effect of distinguishing trade source. TMA, *supra* note 5, ss. 19, 20, 22. For an interesting discussion, in the U.S. context, of use as a limiting principle in trademark infringement cases, see Mark A. Lemley & Stacey L. Dogan, “Grounding Trademark Law Through Trademark Use”, 98 Trademark Rep. 1345 (2008).

¹⁵³ *Cp. Canada Safeway Ltd. v. Manitoba Food & Commercial Workers, Local 832*, 1983 CarswellMan 118, 25 C.C.L.T. 1 (Man. Q.B.) at [10]: “I do not think [trademark laws] prevent individuals, corporations, or even competitors from using the trademark of another for purposes unrelated to protection for commercial or trade reasons. . . . Others may use the trademark if the purpose is only to identify the holder. . . . I am satisfied the Canadian trademark law does not intrude into this area. If it were otherwise, that law would represent a rather significant restriction on free speech and the circulation of ideas or opinions.” Cited by Scassa, “A Thousand Words”, *supra* note 149 at 893.

rights. It remains to be seen, for example, whether section 20 confusion liability could creep beyond the field of use, allowing a mark to transcend its attachment to particular goods or services on the wings of fame.¹⁵⁴ It is clear, however, that the protection of unused marks can only exacerbate the myriad ways in which statutory protection for trademarks already serves to chill or limit speech.

First, as *Cooperstock*¹⁵⁵ underscores, the doctrines that constrain trademark law's reach to commercial trademark uses are not always sufficiently robust or respected to perform the function attributed to them in circumscribing an owner's claim. In that case, Justice Phelan observed that "[t]here is no explicit requirement in the legislation of a monetary or commercial element to services," with the result that the mere provision of "information services" for the benefit of the public could be caught.¹⁵⁶ Needless to say, providing information is an expressive act. The same case also emphasized that "parody and satire are not defences to trademark infringement,"¹⁵⁷ with the consequence that even expressive, parodic and non-confusing uses of a mark could run afoul of a registered trademark owner's rights. Statutory trademark law suffers from a lack of explicit defences or user rights within the Act,¹⁵⁸ meaning that limitations on the owner's exclusivity must be found within the internal logic of the system and its doctrines (a logic that begins to falter when use is no longer a prerequisite to protection). A person exercising her user right, under copyright

¹⁵⁴ See e.g., *Mattel U.S.A. Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, [2006] 1 S.C.R. 772, 2006 CarswellNat 1400 [*Mattel*] and *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824, 2006 CarswellNat 1402 [*Veuve Clicquot*].

¹⁵⁵ *Cooperstock*, *supra* note 147.

¹⁵⁶ *Ibid.* at [33].

¹⁵⁷ *Ibid.* The absence of a statutory defence of parody should not prevent it from being read in on the basis of fundamental *Charter* rights. *Cp., Laugh it Off Promotions CC v. South African Breweries International (Finance) BV t/a Sabmark International and Another (CCT42/04)*, [2005] ZACC 7, 2006 (1) SA 144 (CC); 2005 (8) BCLR 743 (CC) (27 May 2005), at [65].

¹⁵⁸ Vaver, *supra* note 116 at 681. The trader ought not to be regarded as the sole author of the mark, entitled to control its meaning and message. See generally, Rosemary Coombe, *The Cultural Life of Intellectual Properties* (Durham: Duke University Press, 1998); see also Stephen Wilf, "Who Authors Trademarks?" (1999). Faculty Articles and Papers. 74, online: <http://opencommons.uconn.edu/cgi/viewcontent.cgi?article=1073&context=law_papers> .

law, to parody a logo, for example, could find herself liable for trademark infringement (as logos may attract copyright protection too).¹⁵⁹ The failure of the *Trade-marks Act* to explicitly protect non-traders' user rights is inimical to the freedom of expression guaranteed by the *Charter*. As for the rights of other traders, the Act contains no explicit exception or defence, for example, for non-misleading uses of marks for comparative advertising purposes, which may therefore attract depreciation liability no matter how truthful or fair, if the result is to entice goodwill away from the registered mark.¹⁶⁰ Even leaving aside the inadequacy of trademark law's internal constraints, there is the ever-present risk of overreaching claims being made by trademark owners, whether in good faith or bad, which inevitably chill lawful uses of marks in circumstances where ceasing and desisting makes more sense than persisting and litigating.

The potential for such limitations on a trader's speech are to be tolerated, perhaps, in the effort to protect the communicative value of the trademark owner's speech and the fair and informative purposes that it serves. The trademark as source-identifier could be regarded as privileged expression to be favoured over the misrepresentative, confusing or misappropriated speech of third party traders.¹⁶¹ Looking beyond the balance of speech interests between the particular parties implicated in a trademark dispute, even limitations on third party commercial speech might be considered justifiable intrusions on expressive rights in light of other democratic goals including the promotion of fair and free competition, trade and commerce. Once again, however, the potential for such protection to silence others' speech in the absence of any actual trade or communicative use in the marketplace fundamentally changes the constitutional equation.

¹⁵⁹ See *Kraft Canada Inc. v. Euro-Excellence Inc.*, 2007 SCC 37, [2007] 3 S.C.R. 20, 2007 CarswellNat 2087. Such a scenario could present a worthy case for equitable estoppel, though it did not appear to concern Justice Phelan in *Cooperstock*, *supra* note 147.

¹⁶⁰ See *Clairol*, *supra* note 152. See also Craig, "Perfume", *supra* note 149.

¹⁶¹ Even this reasoning does not extend to justify the potential breadth of section 22 depreciation liability.

(b) Bait and Switch: Incentives and Implications

What follows from these changes to the traditional trademark story? At the outset, we have switched trademark law's protagonist — the honest trader of goods and services — for one that is, at best, a *would-be* trader of goods and services. Worse, we have welcomed an antagonist: a trader whose interests lie in nothing more than occupying and trading in registered marks and exploiting others for personal gain. The potential implications are profound.

Consider, for example, that a registered owner may seek and obtain an injunction against a common law user of the same or a confusingly similar mark under the infringement provisions of the *Trade-marks Act*.¹⁶² A registered owner may also invoke the registration as a defence to any passing off action brought against him,¹⁶³ and, after five years on the register, may even assert the registration to insulate the mark from challenges to title brought by prior users. Under subsection 17(1), a prior use or making known in Canada of a mark is a valid ground on which to attack the validity of a registered mark. But in its current form, subsection 17(2) (untouched by the amendments) shields a registered owner who adopted the mark in good faith from such a title challenge after five years on the register.¹⁶⁴ A party who had previously used or made known the mark or a confusingly similar one could be prevented from asserting her better title over a registered party who may never have used the mark at all. In this foreseeable scenario, the registered owner of an *unused* mark would effectively supplant (or, notionally, expropriate) the common law rights of the owner of an unregistered mark used in the course of trade.¹⁶⁵ Because a mark

¹⁶² TMA, *supra* note 5, ss. 19, 20, 22.

¹⁶³ See *Molson Canada v. Oland Breweries Ltd.*, 2002 CarswellOnt 1747, 59 O.R. (3d) 607 (Ont. C.A.); *Jonathan, Boutique Pour Hommes Inc. v. Jay-Gur International Inc.*, 2003 FCT 106, 2003 CarswellNat 1061 (F.C.T.D.); *Remo Imports Ltd. v. Jaguar Cars Ltd.*, 2007 FCA 258, [2008] 2 F.C.R. 132 (F.C.A.); *Philip Morris Products S.A. v. Marlboro Canada Ltd.*, 2010 FC 1099, 2010 CarswellNat 4228 (F.C.).

¹⁶⁴ Subsection 17(2): “[i]n proceedings commenced after the expiration of five years from the date of registration of a trade-mark . . . no registration shall be expunged or amended or held invalid on the ground of the previous use or making known referred to in subsection (1), unless it is established that the person who adopted the registered trade-mark in Canada did so with knowledge of that previous use or making known.” TMA, *supra* note 5, s. 17(2).

¹⁶⁵ *Ibid. Cp.*, Ballagh, *supra* note 7. The unregistered prior user is not deprived in

currently has to be used in order to be registered, the obvious rationale for insulating title is to protect the registered owner's presumed investment in the mark after a significant period of time on the register. As between two good faith users of confusing marks, it may make sense to shield the registered owner's rights from those of an unknown and unregistered prior user if one is looking to incentivize early registration and efficient ordering.¹⁶⁶ In the revised system, however, the registered owner of an unused mark will enjoy a windfall of sorts: the mark on the register, if not summarily expunged for non-use or invalidated for abandonment,¹⁶⁷ can preclude continued use or further expansion by a legitimate common law rights holder.¹⁶⁸ A registered mark without use serves only as a placard for potential market meaning and yet has the power to severely restrict the commercial activities and speech of a common law user and rights-holder.

Commenting on the existing law, David Vaver asserts:

[w]ithout "use" a trade-mark is nothing. . . . Anyone holding an unused mark probably cannot or does not want to invest in it, may just want to play dog in the manger and block competitors from using it, or may want to get into the business of selling marks, not goods or services. None of this is worth encouraging and the system treats him as an undesirable.¹⁶⁹

law of the property interest in the goodwill attached to its mark when a third party secures its registration, and may qualify for a concurrent use order under section 21 if the registration is protected by subsection 17(2). Upon application to the court, a confusing mark used in good faith prior to the date of filing of the application for registration of a registered mark may continue to be used within a defined territorial area, with adequate specified distinctions, if the continued use "is not contrary to the public interest." *Ibid.* s. 21(1).

¹⁶⁶ The existing system already establishes such incentives by allowing applications to register proposed marks. TMA, *supra* note 5, s. 16(3).

¹⁶⁷ By commencing use or asserting its rights against others, the registered owner may readily avoid either threat to its title. *Ibid.* ss. 18(1)(c), 45. The other section 18 grounds for attacking the validity of the registration remain open but may be temporally constrained and of limited help to the unregistered user. *Ibid.* 41(1), 18(1).

¹⁶⁸ An injunction could be secured by successfully alleging infringement under sections 19, 20 or 22 of the TMA. Section 12(1)(d) would render the mark unregistrable for being confusing with a registered mark. The best to be hoped for is a territorially confined order under s. 21. See *supra* note 165.

¹⁶⁹ Vaver, *supra* note 116 at 471-72.

Yet the amendments encourage precisely this behaviour, as though it were suddenly worthy of *ex ante* incentives or *ex post* reward. The number of unused registered marks can be expected to explode exponentially under the reformed regime even if attendant safeguards are to be built in by regulation. Further demands will be placed on the administrative system in order to police the proliferation of marks, with anticipated spikes in oppositions and invalidity challenges. Currently, all registered and unregistered marks have their genesis in use, although some fall out of use and must be cleared as deadwood from the register. Under the revised regime, it is anticipated that many more marks will be registered and a large portion will be, effectively, Dead On Arrival. To clear such marks from the register will require a much larger administrative undertaking — with CIPO acting as undertaker.

Not only will the good faith and lawful use of the revised registration scheme present such problems — these will no doubt be exacerbated when the gates swing open to trademark registration abuse. When use is no longer “the gravaman” of entitlement in Canadian law, secondary incentives may arise to treat trademarks as assets and tradable commodities, engaging in what one might call “trademark trafficking.”¹⁷⁰ The absence of a use requirement for registrants will create an enticing invitation to stockpile registered trademarks, “squatting” on them opportunistically for future sale or licence, in a similar vein to the domain name “cybersquatting” that marked the growth of Internet commerce. Anticipating a future entrant into the Canadian marketplace, an applicant could secure registration of a trade-mark in Canada and “sit” on it until maximum value can be extracted from the would-be owner who has invested in acquiring rights to the mark abroad. The revised regime will thus offer fertile new ground for so-called trademark “trolling”: a lawful but wasteful activity whereby non-active registrants assert rights against actual or would-be users of the mark purely to obtain settlements or extract sums for assignment. A demonstrable absence of any intent to use the mark may be a basis on which an application can be refused or

¹⁷⁰ *Cp.*, Julius Melnitzer, “Trademarks: Trolls at the Gates”, *Lexpert Magazine* (October 2016), online: < <http://www.lexpert.ca/article/trademarks-trolls-at-the-gate/?p=1285&sitecode=lex> >, quoting Donna White of Osler, Hoskin & Harcourt LLP.

opposed under the revised registration scheme.¹⁷¹ In a system where valid and enforceable rights do in fact flow from registration without use, however, one must query whether and on what basis such strategic registrations could be condemned as “bad faith.”

With the elimination of use as a precondition for registration, Canada may also come to suffer the negative effects of so-called “trademark cluttering.” The register could quickly become cluttered with unused trademarks, which may be registered in association with an extensive and indiscriminate list of goods and services for the purpose of “place-holding” on the register. The most expansive statements of goods and services are likely to come from the applicants with the deepest pockets. Meanwhile, the transaction costs and practical or legal obstacles involved in navigating through a thicket of registered marks will be borne by all new applicants and traders in the marketplace, and disproportionately so by those who cannot afford costly opposition and invalidation proceedings.

In April 2012, the U.K. Intellectual Property Office released “Trade Mark Cluttering: An Exploratory Report.”¹⁷² The report defined cluttered trade mark registers as “registers containing such a large number of unused or overly broad trade marks, that the costs of creating and registering new marks substantially increase for other applicants. Furthermore, the problem of cluttering becomes systemic if existing levels of cluttering lead later applicants to adopt application strategies that further contribute to the problem.”¹⁷³ It noted that, “as unused trade marks become more prevalent, the cost of identifying new names or signs rises and the probability of successfully registering new marks falls.”¹⁷⁴ The report identified as the “core problem of cluttering” that “the creation and existence of unused trade marks on trade mark registers . . . might block entry of new products.”¹⁷⁵ The costs are

¹⁷¹ *Per* paragraph 38(2)(d) of the TMA as amended by EAPA, *supra* note 14, s. 343(2).

¹⁷² See Georg von Graevenitz, *et al.*, *Trade Mark Cluttering: An Exploratory Report* (Newport, U.K.: Intellectual Property Office, 2012), online: < www.ip-o.gov.uk/ipresearch-tmcluttering.pdf > .

¹⁷³ *Ibid.* at 5 [footnotes omitted].

¹⁷⁴ *Ibid.* at 7. See also, Barton Beebe and Jeanne C. Fromer, “Are we Running out of Trademarks? An Empirical Study of Trademark Depletion and Congestion,” vol. 131 February 2018, No. 4, pp. 945-1044.

¹⁷⁵ *Ibid.* at 11.

borne not only by the would-be applicants for registration, then, but ultimately by the consumer.

It seems inevitable that the elimination of use as a requirement for registration will incentivize the registering of unused marks in Canada and raise the costs associated with navigating through them. Critically, the report identifies the “use requirement” as one factor that may alleviate cluttering problems: “[s]trict use requirements can make cancellation and opposition more effective in reducing cluttering and vice versa.”¹⁷⁶ It seems clear that the problems identified in this U.K. report are likely to be exacerbated in Canada and internationally once the amendments to the *Trade-marks Act* come into force. Less clear is why Canada should assume these risks and bear these costs.

Shifting the Canadian system to a filing system not predicated on use may simplify the application process both for applicants and the Trademark Office, but any efficiency gains will be offset by the costs associated with the predictable proliferation of application filings, particularly by foreign and well-resourced entities. It would be perfectly rational and appropriate for counsel to advise their clients to file multiple and sweeping applications. Indeed, anecdotal evidence suggests that such practices are already well underway, which may have a ratchet-up effect, motivating other counsel to follow suit rather than lose a perceived competitive edge for their clients. Incentivizing strategically premature and overly expansive applications, and producing increased reliance on the opposition mechanism to police the system, will raise costs for local and national traders trying to carve out space in the market and on the register. It will likely also generate greater preference for parties to litigate in the already overburdened Federal Court of Canada¹⁷⁷ in order to remove the blocking marks from the register. Overall, of course, these changes will increase the burden of administering the system, with much of the cost being borne by the taxpayer and little, if any, benefit flowing back to consumers and the public in return.

¹⁷⁶ *Ibid.* at 13.

¹⁷⁷ Subsection 57(1) of the TMA grants the Federal Court “exclusive original jurisdiction, on the application of the Registrar or of any person interested, to order that any entry in the register be struck out of amended on the ground that . . . the entry as it appears on the register does not accurately express or define the existing rights of the person appearing to be the registered owner of the mark.” TMA, *supra* note 5, s. 57(1).

It may still be possible that appropriately bold regulatory solutions could mitigate these harms when the amendments eventually take effect. The obvious low hanging fruit would be to require, for example, a declaration of intention to use in an application for an unused mark; a statement of the date of first use and/or country of use, in an application to register a mark that has in fact been used; and a declaration of use in order to secure the renewal of a registered mark. Such regulatory mechanisms may allow for some graduated or iterative examination of a mark's use or an applicant's *bona fide* intent, as well as providing important information for people searching the register, and an opportunity to identify misrepresentations that might render a registration invalid. Our purpose here, however, is not to propose regulatory fixes to ill-conceived statutory amendments. In our view, nothing short of repealing the amendments or reintroducing the use requirement as a precondition to registration will answer the principled critique advanced in this article. If trademarks in Canada transition away from their historical origins and traditional justifications, their trajectory does not bode well for Canadian traders, consumers or the public — or for the constitutional validity and perceived legitimacy of the federal trademark scheme.

5. TRADEMARKS IN TRANSITION

The amendments to Canada's *Trade-marks Act* suggest a national registration system in transition. But the big picture of "trademarks in transition" captures a larger frame: the changing nature of trademarks in the tides of global trade. We have given short shrift to the dubious claim that the removal of a use requirement is somehow mandated by Canada's international obligations. There is little doubt, however, that international trade pressures are pointing increasingly and unremittingly in the direction of easy and efficient cross-border registration of trademarks for the benefit of multinational corporate actors and their brands. Ease and efficiency have an appealing ring to them, but, in the context of a trademark regime, they inevitably translate into appeals for protection without the burdens of actual use. Consider, for example, the natural interests of a successful U.S. company doing business in the United States. Canada is a large country geographically, but a small market economically, with bilingual packaging laws and a relatively weak dollar. With these

factors in mind, the U.S. company might readily conclude that the costs of doing business in Canada will not bring sufficient benefits to justify market expansion over the border. But the geographical proximity of Canada and the ease of cross-border flow of goods and goodwill also mean that use of a confusingly similar mark by a commercial actor in Canada could quickly percolate into the U.S. consumer consciousness. Simply put, the U.S. trademark owner has a greater interest in controlling its mark in Canada than in conducting business here. A Canadian registration without actual use allows it to get the best of both worlds, while local Canadian businesses are denied the right to use the mark or anything similar, and Canadian consumers are deprived of the goods or services offered south of the border by the registered trademark owner.

It should be acknowledged that even in the domestic picture, at least for the more powerful commercial actors who may stake a position in such policy debates, early and easy protection will likely prove too attractive to resist. Under the current subsection 16(3), foreign-registered trademark owners are already permitted to register their marks in Canada before they commence to use their marks here, even leap-frogging domestic users to claim prior title on the basis of a foreign application to register.¹⁷⁸ There is an obvious appeal, for the large Canadian business that competes on the international stage, to holding multiple registrations in a strategic bid to get the first mover advantage and the competitive upper hand. Frankly, against these powerful corporate interests at home and abroad, there seems little hope that the interests of consumers, the general public and small-scale local commercial actors will hold much sway.

Canada is currently teetering on the notional dividing line between the U.S. use-based system and the European registration-based system,¹⁷⁹ and is encountering pressures from both directions in the development and harmonization of intellectual property norms in the course of international trade negotiations.¹⁸⁰ In this global picture, the United States is beginning to look like the last

¹⁷⁸ TMA, *supra* note 5, s. 34.

¹⁷⁹ See Aaron & Nordemann, *supra* note 70.

¹⁸⁰ Having recently concluded negotiations with Europe over CETA, *supra* note 12, Canada is now embroiled in complex renegotiations with the United States and Mexico over the *North American Free Trade Agreement*, as well as with a variety of international partners over the *Trans-Pacific Partnership*.

bastion of a use-based trademark system.¹⁸¹ One might surmise that it is therefore likely to be swept up in the global tide towards registration-based trademark protection; but perhaps more likely, consistent as it would be with the *Realpolitik* of the international intellectual property order, is that U.S. corporate interests will continue to be the beneficiaries of low registration thresholds around the world while simultaneously benefitting from the higher domestic threshold requirements that will keep foreign competitors at bay. Simply put, Canada has gifted U.S. corporate interests a comparative advantage in trademark acquisition — and, therefore, in trade and commerce.¹⁸²

If we are moving inevitably along a trademark policy trajectory towards a primacy-of-registration system on a global scale, it behooves us to ask whether we in Canada and across the common law world can hold onto our traditional justifications for the trademark system. Is the very idea of “the trademark” now a misrepresentation? Is it deceptively misdescriptive, if you will, of a system that seeks to protect, not the association between a mark and the trade source in the mind of a buying consumer, but rather, the first-to-file in a bureaucratic machinery that privileges the well-resourced, stymies actual use in trade and public discourse, and compounds distributional inequalities?

While Canada provides the context and immediate motivation for this discussion, it also offers a vantage point from which to view the larger policy questions that present themselves on the world stage, from Europe to the United States and beyond. Situating Canada’s trademark law reforms within the shifting sands of trademarks in transition reveals a broader critique about the changing nature of trademark protection internationally. In the new landscape, the trademark is the commodity. A registration system that protects unused marks takes signs devoid of communicative significance and imbues them with legal significance, granting the power to prohibit others’ use. As marks evolve from powerful identifiers of trade source to simple vehicles of power, how should we balance the interests of owners and non-

¹⁸¹ See *supra* note 140. The *Trademark Act of 1946*, Pub. L. No. 79-489, 60 Stat. 427, as amended (*Lanham Act*), 15 U.S.C.A. §§ 1051 *et seq.* permits trademark registrations on the basis of use in commerce (s. 1(a)), or foreign registrations (section 44). Applications based on a declared intent-to-use proceed to registration only upon receipt of a declaration of use (s. 1).

¹⁸² See Abitbol, *supra* note 7 at 230.

owners, corporations, consumers and citizens? How should we mediate the fraught line between fair and unfair competition? In the face of such tensions, how we design our regulatory structures and intellectual property regimes “can have a profoundly positive or negative consequence for economic growth and welfare.”¹⁸³ Without the *jus* of use, the trademark system is on increasingly treacherous terrain.

6. CONCLUSION: KEEPING IT REAL

This article has explored the significance and potential implications of the recent amendments to Canada’s *Trade-marks Act*, assessing the extent to which they undermine the traditional rationales for trademark protection and the federal registration regime, as well as the various ways in which they threaten to incentivize undesirable behaviour by opportunistic commercial actors to the detriment of consumers and *bona fide* traders. As we have argued, the enactment of the amendments represents an important departure from the source-identifying function of a trademark in Canada, garnered traditionally through use of the mark, and takes us a step closer to treating registered marks as tradable commodities to be claimed (rather than legally privileged symbols to be earned and maintained). Given the considerable challenges that may flow from such a fundamental shift in Canadian trademark policy — and the absence of any obvious resulting public benefit — this ought to weigh heavily against the implementation of the amendments and to inform any regulatory treatment or subsequent judicial interpretation thereof.

It is, admittedly, rarely the case that law accurately reflects the lived realities of those whose behaviour it regulates; but when the very rationale for legal protection depends on those realities, the divergence between legal rules and real life can provoke a crisis of legitimacy. The rationale for trademark law has long depended, in the common law world, on consumer realities (from demonstrating distinctiveness to proving a likelihood of confusion), which establish the existence and scope of the rights that the law protects. The *jus* of use has played a central role in tethering registered trademark rights to the real-world marketplace in which

¹⁸³ Geoffrey A. Mann & Joshua D. Wright, eds., *Competition Policy and Patent Law under Uncertainty: Regulating Innovation* (Cambridge: Cambridge University Press, 2011) at 3.

real consumers encounter and attribute real meaning to them in their actual decision-making processes, for better or worse. As a matter of both principle and practice, without the *jus* of use, the marks on the Register may be more fictional than real, casting into doubt the legitimacy of our system for allocating exclusive control over such indicia.

In his work on the origin and history of trademarks, Ruston quotes the Bible's Book of Revelations: ". . .that no man might buy or sell save he that had the mark."¹⁸⁴ Let it be also said that no person should have a mark save he or she that buy or sell. . . *something* for God's sake!

¹⁸⁴ Revelations 13:17, cited in Ruston, *supra* note 78 at 134.