

FIRST TO FILE OR FIRST TO USE? THAT IS THE QUESTION TO PASS THE EXAM

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The Canadian *Trade-marks Act*, R.S.C. 1985, c. T-13 (hereinafter the “Act”) has just turned 50! For its half century anniversary, the Federal Court of Canada may have just reversed a long standing practice by the Registrar of Trade-marks with the decision of Mr. Justice Shore in *Effigi Inc. v. Attorney General of Canada*, 2004 FC 1000, handed down on July 16, 2004. If the Federal Court decision is affirmed on appeal, the Registrar will no longer have the opportunity to refuse an application on the basis that it is confusing with another application filed at a later date, but alleging an earlier date of first use.

For the last decades, the practice of the Registrar of Trade-marks has been to give preference to the alleged date of first use, rather than the date of filing when comparing two confusing and co-pending applications. This analysis was done at the examination stage and the Registrar only relied on the allegations contained in the applications themselves. The Registrar’s decision to accept or not an application for publication has always been done without access to any evidence as to the alleged earlier date of first use of a later filed application.

Facts

On December 19, 2000, Effigi Inc. (hereinafter “Effigi”) filed an application for the registration of the trade-mark MAISON UNGAVA, on the basis of proposed use of this trade-mark in Canada in association with wares such as bath and table linen. Ten months later, while Effigi’s application had still not been reviewed by an Examiner, a company named Tricorn Investments Canada Ltd. (hereinafter “Tricorn”) filed an application for the trade-mark UNGAVA in

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association with similar wares. The latter application, filed on October 19, 2001, alleged a date of first use of October 1981.

Sixteen and a half months after it filed its application, Effigi received its first Examiner's report. The Examiner objected to the registration of the trade-mark MAISON UNGAVA on the basis of sections 37 and 16 of the *Act*. The Examiner stated that by virtue of section 16, Effigi was not the person entitled to registration of its trade-mark since its date of filing was subsequent to the date of first use of October 1981 mentioned in Tricorn's application for the trade-mark UNGAVA, which was considered confusingly similar to MAISON UNGAVA.

In its response to the Examiner's report, Effigi did not try to argue that the trade-marks were not confusing; however, it drew the Registrar's attention to the Federal Court of Appeal's decision in *Unitel International Inc. v. Canada (Registrar of Trade-marks)*, (2000) 9 C.P.R. (4th) 127. In accordance with the Federal Court of Appeal's reasoning, Effigi submitted that when considering two trade-mark applications that are confusing, the dates of first use alleged in these applications are not relevant to the application of paragraph 37(1)(c) of the *Act*. Effigi submitted that section 16 does not apply at the examination stage. The Examiner rejected that argument which Effigi reiterated in a second response.

Finally, the Registrar discarded all of Effigi's arguments and rejected its application on November 14, 2003. Effigi thereafter appealed that decision to the Federal Court, under section 56 of the *Act*.

Effigi's position

In its appeal, Effigi submitted that the Registrar erred in referring to subsection 16(3) of the *Act* to interpret paragraph 37(1)(c) and thereafter to reject its application at the examination stage. Effigi submitted that the Registrar, having no inherent powers, has only the jurisdiction provided for by the *Act*. Effigi added that section 37 grants the Registrar authority to decide, at the examination stage, to reject a trade-mark application only because it is confusing with another trade-mark for the registration of which an application is pending. Relying again on the Court of Appeal's decision in *Unitel International*, Effigi added that by virtue of paragraph 37(1)(c), the Registrar could refuse to publish a trade-mark application if there was a risk of confusion with a previously filed application that was still pending, irrespective of any alleged date of first use. Since section 37 describes exhaustively the Registrar's jurisdiction at the examination stage, it is not necessary to rely on section 16 to interpret when a person is entitled to registration under paragraph 37(1)(c).

The Registrar's position

On the other side, the Registrar (represented by the Attorney General of Canada) submitted that when analyzing paragraph 37(1)(c) of the *Act*, it had to interpret this section in harmony with the rest of the *Act* and give to each word its ordinary and grammatical meaning.

Paragraph 37(1)(c) reads as follows:

“The Registrar shall refuse an application for the registration of a trade-mark if he is satisfied that

(...)

(c) the applicant is not the person entitled to registration of the trade-mark because it is confusing with another trade-mark for the registration of which an application is pending, ...”

The Registrar submitted that the word “pending” did not specify which application was supposed to be accepted and which was supposed to be rejected. The Registrar argued that it had to rely on subsection 16(3) which defines when a person is entitled to registration because the expression “person entitled to registration” is also found in subsection 37(1). The Registrar added that the expression, as defined in subsection 16(3), necessarily had to have the same meaning throughout the *Act*. The Registrar relied on the Trade Mark Law Revision Committee’s Report of 1953 and Mr. John Osborne’s testimony before the House of Commons Standing Committee on Banking and Commerce, on April 28, 1953. The Registrar further argued that the comments relied upon by Effigi in the *Unitel International* decision were *obiter* and therefore not binding. The Registrar also reminded the Court of the importance of “use” in Canadian trade-mark law, which justified the practice of granting preference to an application subsequently filed but based on an earlier date of first use.

Finally, the Registrar could say that an unsatisfied applicant could oppose a trade-mark application filed at a later date, but alleging an earlier date of first use; the onus of proof would then be on the frustrated applicant to bring enough evidence to force the successful applicant to then prove its first use. But this begs the question: How does one prove that the junior applicant has not been using its trade-mark since its alleged date of first use (when the facts as to the alleged use are within the knowledge of this junior applicant).

The decision

The Federal Court allowed the appeal and rejected the Registrar's position and long standing practice.

At the outset, the Court accepted Effigi's position that it had to review the Registrar's decision on the norm of correctness as the issue before the Court was one of statutory construction. Mr. Justice Shore then analyzed paragraph 37(1)(c) and stated that contrary to sections 18 and 38 (which refer to circumstances when a person is not entitled to registration and thus require an examination of section 16), section 37 uses different language (i.e. "the applicant is not the person entitled to registration of the trade-mark because it is confusing with another trade-mark for the registration of which an application is pending,...") and is therefore complete in and of itself and describes completely all of the Registrar's jurisdiction at the examination stage. The Registrar, therefore, does not need to examine any other section of the *Act* to determine entitlement to registration, at the examination stage.

The Court also considered section 16 but decided that it could be examined by the Registrar only once an application has been published. Indeed, since paragraphs 16(4) and 16(5) indicate that the relevant date mentioned therein is the date of advertisement of an applicant's application, section 16 necessarily has to apply once the examination stage has been completed and the application published. Therefore, the Registrar cannot not rely on section 16 when deciding to advertise or not a trade-mark application under section 37.

Furthermore, the Court assigned little weight to testimony of members of the Trade Mark Law Revision Committee before the House of Commons Standing Committee on Banking and Commerce back in 1953, referring to the words of the Supreme Court of Canada in *R. v. Heywood*, (1994) 3 S.C.R. 761:

"The admissibility of legislative debates to determine legislative intent in statutory construction is doubtful.... This Court has repeatedly held that legislative history is not admissible as proof of legislative intent in the construction of statutes....

It is apparent that legislative history may be admissible for the more general purpose of showing the mischief Parliament was attempting to remedy with the legislation....

Nonetheless there are persuasive reasons advanced which support the position that legislative history or debates are inadmissible as proof of legislative intent in statutory construction. Many of these same reasons are also put forward to demonstrate

that such materials should be given little weight even in those cases where they are admitted. The main problem with the use of legislative history is its reliability. First, the intent of particular members of Parliament is not the same as the intent of the Parliament as a whole. Thus, it may be said that the corporate will of the legislature is only found in the text of provisions which are passed into law. ..."

The Court did not deny the importance of use of a trade-mark under Canadian trade-mark law, but agreed with Effigi that the examination stage was too early and incomplete a process to ascertain such use. It agreed with Effigi's position that the Examiner did not have sufficient information, at the examination stage, to determine that a trade-mark has really been used at the date of first use alleged in the application. This analysis is better left for other forums with appropriate procedures and evidentiary mechanisms where parties contesting alleged dates of first use can file evidence in support of their respective claims.

The Court finally stated that the *Unitel International* decision was in conformity with its own interpretation of paragraph 37(1)(c) of the *Act*. In that case, the Federal Court of Appeal had written: "In their reasons, the Registrar and the Trial Judge referred to the alleged dates of first use in the two applications. We would observe that the dates of first use are not a relevant consideration under paragraph 37(1)(c). The only issue is whether there is confusion between an applicant's trade-mark and a trade-mark for which an application for registration is already pending". Although the comments of *Unitel International* were not considered binding on the Court, they clearly addressed the questions at issue and were considered very persuasive.

The Attorney General of Canada has filed an appeal against Mr. Justice Shore's decision and such appeal (in Court file A-432-04) is still pending. Under the circumstances, the Registrar has not modified its long standing practice regarding paragraph 37(1)(c), at least for now.

Conclusion

There are, in our opinion, many defects in the now decades old practice of the Registrar of Trade-marks. Whatever interpretation is given to the *Act* itself, the fact remains that not all applications have been treated in the same way. For example, what if the delay to examine Effigi's application had been shorter? Tricorn's application was filed ten (10) months after Effigi's application. If Effigi's application had been examined, say, in March 2001, Tricorn's application would not have been cited by the Examiner. Tricorn would then have had to oppose Effigi's application and demonstrate use of

its trade-mark since 1981. On the other hand, Tricorn, having filed at a later date, but alleging an earlier date of first use, could allege any date of first use without any fear (at least at the examination stage), since it does not have to prove this date of first use to be successful over Effigi's application. Thus, the importance of first use only becomes important (and for the senior applicant filing on the basis of proposed use, dangerous) insofar as the junior applicant (alleging an earlier date of first use) files before the senior application (based on proposed use) is examined, published and allowed. This being said, even if the senior application is allowed but not yet registered (because a declaration of use cannot yet be filed, for example), the junior application alleging an earlier date of first use can still be published and allowed, thus leading to a situation where two confusingly similar trade-marks will be on the register.

It is now time for full disclosure: It would be hardly appropriate to criticise the Court's decision as one of the authors of this article successfully argued the case before Mr. Justice Shore. In all fairness, it would be difficult for this attorney to claim any objectivity under the circumstances. It will therefore be appropriate to simply conclude by mentioning that it is not because a practice has been in place for many decades that it should be allowed to continue if, in fact, it has not been in accordance with what Parliament intended when it adopted paragraph 37(1)(c) in the *Trade-marks Act* and this is what in effect has been decided by the Court. Of course, the Federal Court of Appeal will now have the last word...

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