

FEDERAL COURT LITIGATION: JURISDICTIONAL AND PROCEDURAL ISSUES

By
Bob H. Sotiriadis*
LEGER ROBIC RICHARD, Lawyers,
ROBIC, Patent & Trademark Agents
Centre CDP Capital
1001 Square-Victoria- Bloc E – 8th Floor
Montreal, Quebec, Canada H2Z 2B7
Tel. (514) 987 6242 - Fax (514) 845 7874
www.robic.ca - info@robic.com

INTRODUCTION

This paper provides a succinct overview of some of the jurisdictional and procedural issues related to trade-mark prosecution and litigation, especially as they concern the Federal Court. During the session, we will analyse in more detail with the aid of practical examples several of the more substantive elements of this paper.

1. THE OFFICE OF THE REGISTRAR: QUASI-JUDICIAL FUNCTIONS

Pursuant to the *Trade-Mark Act* there are three instances where the members of the Registrar`s office function in a quasi-judicial capacity. These are: (1) *the Registrar`s staff when acting in their capacity as trade mark examiners*, (2) *the Opposition Board during opposition proceedings* and (3) *the Registrar during a challenge for non-use*.

The above instances of quasi-judicial capacity are purely creations of statute and as such the jurisdictional boundaries are limited to what is expressly laid out in the *Trade-Marks Act* and corresponding regulations. However, within the relevant provisions of the statute the Registrar, the Opposition Board and the trade mark examiner all have a degree of discretionary power. These three bodies, their discretionary powers and their quasi-judicial functions are examined below.

© LEGER ROBIC RICHARD / ROBIC, 1998.

* Lawyer, Bob H. Sotiriadis is a senior partner in the lawfirm LEGER ROBIC RICHARD, g.p. and in the patent and trademark agency firm ROBIC, g.p. This material was originally designed for the purpose of a lecture delivered in August 1998 during the week seminar "Trade-marks - an intensive advanced practical course" organized jointly by the Patent and Trademark Institute of Canada and McGill University. Publication 227.

1.1 The Trade-mark examiner

Assuming that a trade-mark application has fulfilled the requirements of Section 30 it will be assessed by the Registrar's examination staff to determine whether or not it is registrable pursuant to the criteria of Section 12 of the *Act*. Within the framework provided by Section 12, the examiner has a limited discretion to refuse the grant of a trade-mark on a number of enumerated grounds, including descriptiveness, misdescriptiveness, etc.

In the event of refusal of an application, the examiner's grounds therefore are stated in a number of objections. The applicant may choose to answer to these objections in an effort to sway the examiner in his decision. This is generally done by written submissions made by the applicant to the examiner to the effect that the conclusion reached by the examiner was unwarranted.

Note also that the examiner may decide, depending on the form of the mark, that it is a design mark which will require the applicant to present further supporting documentation, such as drawings, as well as the payment of additional fees.

1.2 The registrar, Opposition Board and opposition hearings

Once the examination process is completed and the examiner satisfied that the trade-mark fulfills the requirements laid down by Section 12 of the *Act*, pursuant to Section 34 of the *Trade-mark Regulations* the trade-mark will be advertised in the Trade-Marks Journal. This provides third parties with the opportunity to oppose the registration of the trade-mark by way of opposition proceedings.

Historically, opposition proceedings had no official basis but consisted of informal protests to the Registrar by parties who objected to the registration of a trade-mark. This has been changed and in more recent enactments of the *Trade-Marks Act* opposition to the pending registration of a trade-mark has now been conferred official status.

Pursuant to Section 38 of the *Act*, a third party's opposition to a pending trade-mark registration may be made by filing a statement with the Registrar. In this capacity the Registrar's staff once again assumes their quasi-judicial role in the form of what is generally known as the "Opposition Board". The Opposition Board does not act, as might be expected, as an administrative tribunal as the term is commonly understood, but rather relies primarily on written evidence (as opposed to oral testimony) as the basis for its decisions.

Grounds for opposition are limited to the four enumerated at Section 38(2) of the *Act* and include such issues as non-entitlement, non-distinctiveness, etc. At the outset of the opposition process the Opposition Board has the discretion to accept the opposition or reject it as being frivolous. If accepted, both parties (the filing party and the opposing party) may submit evidence supporting their positions to the Opposition Board by way of affidavits or statutory declaration.

On application of a party, the Opposition Board may order the cross-examination of any affiant or declarant of an affidavit or declaration. A transcript of the cross-examination and any exhibits are filed with the Opposition Board. Following completion of evidence the parties will be notified by the Opposition Board that they may file written arguments. At the end of this stage a party may also request an oral hearing in front of the Board. These hearings are often conducted by telephone conference.

The Opposition Board then considers the collective evidence and shortly thereafter will either refuse the application or reject the opposition. As with all decisions of the Registrar, an appeal may be made to the Federal Court.

1.3 The registrar during a challenge for non-use: Section 45

The final instance where the Registrar functions in a quasi-judicial capacity is when a registered trade-mark is no longer in use within Canada. Section 45 of the *Act* provides the mechanism by which a registered trade-mark may be challenged for this non-use.

For Section 45 to apply, the trade-mark must have been registered at least three years prior to the date on which the holder is challenged for non-use. Any third party can request the Registrar to give notice to the registered owner of a trade-mark (unless he sees good reason not to) for expungement by virtue of non-use. Following such notice, the registered owner is obliged to provide, within three months of the notice, evidence by affidavit or statutory declaration showing that the trade-mark was either in use in Canada in the three year period immediately prior to the date of notice, and barring this, the date when it was last in use and the reason for the absence of such use. The evidence is restricted to affidavit or statutory declaration, although in certain cases representations may be heard from the registered owner of the trade-mark or his representative.

If it appears to the Registrar, by virtue of the evidence provided or the failure to provide evidence, that the trade-mark has not been in use in Canada within the two years immediately prior to the notice (either in general or for specific wares) and that there is no special circumstances for the mark not being in use, then

the trade-mark is liable to be expunged or amended accordingly.

If the Registrar decides to amend or expunge the trade-mark from the register, then he must inform the registered owner of this (as well as the party who requested the notice) stating the reasons for the amendment or expungement.

2. ROLE OF THE FEDERAL COURT IN TRADE-MARK PROSECUTION AND LITIGATION

As will be discussed in a little more detail below, Section 56 of the *Trade-Marks Act* provides a mechanism by which the decisions of the Registrar including those covered in our discussion of the quasi-judicial role of the trade-mark examiner, the Opposition Board and the Registrar during a challenge for non-use may be appealed. We will also see, however, that the role of the Federal Court in matters of trade-mark prosecution does not cease at the stage of considering appeals of decisions of the Registrar. The role of the Federal Court extends to all aspects of trade-mark protection and litigation, either as a result of powers shared with the Superior Courts of the Provinces or through Powers which the *Trade-Marks Act* provides for as exclusive to the Federal Court jurisdiction.

3. POWER OF COURTS TO GRANT RELIEF IN TRADE-MARK MATTERS

3.1 Concurrent jurisdiction

The power of Courts to grant relief is set out in Section 53.2 of the *Trade-Marks Act*. Briefly put, if an act is done contrary to the *Trade-Marks Act*, the Federal Court or Superior Court of a Province may make any such Order as the circumstances require including, but not restricted to, the relief mentioned in Section 53.2. Section 53.2 refers specifically to the following remedies: (1) *injunction*, (2) *recovery of damages*, (3) *recovery of profits*, (4) *destruction, exportation and disposition of offending wares, packages, labels, advertising materials and dies*.

The term "Court" is defined at Section 52 as meaning the Federal Court or the Superior Court of a Province. Therefore, Section 53.2 provides for concurrent jurisdiction between the Federal Court and the Superior Court of each Province.

3.2 Injunction

Permanent injunctions are generally considered to consist of an equitable

remedy. Historically, equitable remedies were available for the purpose of enjoining a Defendant to respect equitable principles. Those seeking equitable relief addressed their recourse to the Court of Chancery, while legal remedies, were addressed to the Common Law Courts. In the eighteenth century, the Courts in England were merged such that they were empowered with jurisdiction to grant both legal and equitable relief.

In Canada, the Superior Court of each Common Law Province has a similar jurisdiction to issue injunctive relief. As to the Superior Court of Quebec, it has also retained this power as it is specifically foreseen by the *Code of Civil Procedure*.

4. SOURCE OF POWERS OF FEDERAL COURT IN TRADE MARK MATTERS

As we have seen, the Federal Court of Canada is a creation of statute and its powers are restricted to those set out in the statute. The *Federal Court Act* was constituted by Parliament under Section 101 of the *Constitution Act 1867*. Section 3 of the *Federal Court Act* provides that the Federal Court is a Court of law, equity and admiralty, and a Superior Court of record having civil and criminal jurisdiction. As a result of the provisions of the *Federal Court Act*, therefore, the Federal Court has all the jurisdiction necessary to grant the relief set out in Section 53.2 of the *Trade-Marks Act*, referred to above. Section 55 of the *Trade-Marks Act* further confirms that the Federal Court has jurisdiction to entertain any action or proceeding for the enforcement of any of the provisions of the *Act* or of any right or remedy conferred or defined in the *Act*.

5. FEDERAL COURT JURISDICTION ON APPEALS FROM DECISIONS OF THE REGISTRAR

Section 56 of the *Trade-Marks Act* also confirms that an appeal lies to the Federal Court from any decisions of the Registrar under the *Act* within two months from the date on which the notice of the decision was dispatched by the Registrar or within such further time as the Court may allow, either before or after the expiration of the two months. In fact, Section 56(5) of the *Trade-Marks Act* foresees that on an appeal lodged in accordance with Section 56, evidence may be adduced before the Federal Court in addition to that which had been adduced before the Registrar. It further provides that the Federal Court may exercise any discretion which vested originally in the Registrar.

The appeal system set out in Section 56 of the *Trade-Marks Act*, only lies to the Federal Court and does not lie to the Superior Courts of the Provinces.

6. INSTANCES WHERE THE FEDERAL COURT EXERCISES EXCLUSIVE JURISDICTION

6.1 Section 57 of the Trade-Mark Act

The *Trade-Marks Act* also sets out instances where the Federal Court has exclusive jurisdiction. More specifically, Section 57 of the *Trade-Marks Act* provides that the Federal Court has exclusive or original jurisdiction to order that any entry in the register be struck out or amended on the ground that at the date of the application, 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.

Applications under Section 57, may be made by the Registrar or by any interested person.

There are three procedural avenues available for a party to access the exclusive jurisdiction of the Federal Court:

- (i) *by the filing and service of a demand (previously known as an originating Notice of Motion);*
- (ii) *by counter-claim in the context of an action taking against the party by another party for the infringement of the other party's trade-mark;*
- (iii) *by Statement of Claim;*

6.2 Relevant date in determination of accuracy of rights appearing on registry

Section 57, therefore, is the provision invoked when one wishes to have the registered trade-mark of another party expunged from the Trade-Mark Registry. While expungement might be the best known recourse taken under this Section, it may also be invoked to amend an entry on the register.

The Court will assess the accuracy of the rights of the person appearing to be the registered owner of the trade-mark on the basis of the facts as they existed on the day the application challenging the rights was made.

6.3 Grounds for expungement

Expungement of a trade-mark may be based on the usual grounds of non-

registrability of a trade-mark and can be summarized as follows:

- (i) *the trade-mark was not registrable as of the date of its registration;*
- (ii) *the trade-mark is not distinctive on the date the expungement proceedings were instituted;*
- (iii) *abandonment of the trade-mark; here the burden is on the person contesting the trade-mark to show not only the non-use of the registered trade-mark by the owner, but an intention of abandoning the trade-mark as of the date of the commencement of the proceedings;*
- (iv) *the registered owner was not the person entitled to secure its registration; one of the most common allegations under this ground is the fact that there existed prior use of a confusingly similar trade-mark.*

7. SOURCE OF EXCLUSIVE JURISDICTION OF FEDERAL COURT

The exclusive jurisdiction set out in Section 57 derives from Section 20(1)(b) of the *Federal Court Act*, which provides for the exclusive jurisdiction of the trial division of the Federal Court in matters of expungement, variation or rectification of entries made in the register of copyrights, trade-marks, industrial designs or typographies or in respect of the impeachment or annulment of a patent of invention.

The concurrent jurisdiction of the Federal Court has its source in Section 20(2) of the *Federal Court Act* which sets out that the trial division of the Federal Court has concurrent jurisdiction in all cases other than those specifically mentioned in Sub-Section 1, in which a remedy is sought under the authority of any *Act* of Parliament or at law or in equity respecting, *inter alia*, trade-marks.

In contrast to the above, the Registrar has no power to order that any entry on the register be struck out or amended at the request of a third party, except under the provisions of Sections 44 and 45 of the *Trade-Marks Act*.

8. ENFORCEMENT OF JUDGMENTS AND ADVANTAGES AND LIMITS OF PROCEEDINGS BEFORE THE FEDERAL COURT

8.1 Enforcement and contempt of Court

The enforcement of Orders rendered by the Federal Court is regulated by the Rules of the Federal Court. These Rules have very recently been the object of several significant changes. For the purposes of this paper, it is only necessary to note that the enforcement of Orders of the Federal Court is covered in Part 12 of the new Rules, at Rules 423 to 465. Also, the Rules foresee the power of the Court to find a person guilty of contempt of Court (Rule 466).

8.2 Advantages of Federal Court

One of the advantages of addressing trade-mark proceedings to the Federal Court is the fact that an Order of the Federal Court may be enforced across Canada, while the Orders of the Courts of the Provinces may only be enforced provincially. The Federal Court Rules, therefore, provide all of the enforcement measures necessary for the enforcement of an Order across Canada for the purposes of recovering sums of money or ensuring the respect of an Injunction, Orders of destruction, delivery-up and so on.

Enforcement is different when one obtains an Order modifying an entry on the register. For example, in the case of an Order expunging a trade-mark, the conclusions will usually include a declaration that a trade-mark is invalid and order that it be struck from the register. Our recommendation for the enforcement of this type of Order is to obtain a certified copy of the Federal Court judgment and forward it to the Registrar's office with a letter requesting that the Registrar take notice of the judgment and effectuate the modification ordered in it.

As we have seen, only the Federal Court can make Orders affecting an entry on the register. The Superior Courts do not have this power. However, Superior Courts may render a declaration to the effect that a trade-mark is invalid as between the parties. The victorious party may not, on the basis of such judgment, obtain a modification of the entry on the register. The party must obtain a Federal Court judgment to the same effect.

8.3 Principal -vs- ancillary relief

There are instances where a party wishes to take proceedings in which the subject matter falls under Federal Court jurisdiction and subject matter over which the Federal Court does not have jurisdiction. For example, a party might sue in trade-mark infringement and also wish to have a contractual dispute over a license settled by the Court at the same time.

In order to determine whether the Federal Court may hear such an action, it

must be shown that the principal recourse of the party falls within the jurisdiction of the Federal Court. If the recourse does not come within the jurisdiction of the Court but is only accessory or ancillary to the principal recourse, then there should not be a jurisdictional problem. If, however, the principle aspect of the case relates to a question which is not normally of the Federal Court's jurisdiction such as, for example, a purely contractual dispute, then the fact that a trademark issue is also raised in the proceedings will not be enough to provide jurisdiction to the Federal Court.

CONCLUSION

We trust that the foregoing summary has provided a sufficient overview of the topics to be discussed during our session and that all participants will feel free to request a more detailed and practical explanation of the issues which are the most relevant to their respective practices.



