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Significant Changes in 2019 to Canadian Trademark Law and What You Need to Know

By Allison Gifford

The year 2019 brings big changes for those who plan to file an application to register a trademark in Canada or already have either an application pending or a registered trademark in Canada. Significant changes under the Canadian Trademarks Act will become effective on June 17, 2019. Such changes include eliminating the use requirement, adopting the Nice Classification system, and joining the Madrid Protocol.

By way of background, since 2014, there have been discussions in Canada about making changes to align Canadian trademark law with that of Canada's major trading partners, including the United States and the European Union. The new trademark law will not only assist Canadian businesses with protecting their trademarks in Canada and internationally, but will also help international trademark owners protect their trademarks in Canada. The more important changes that affect U.S. businesses are outlined below.

1. **Elimination of Use Requirement.** This is the most significant change. Similar to the use requirement in the United States, Canadian trademark registrations currently will not issue until the applicant can show that the trademark is *(continued on page 2)*

The On-Sale Patent Bar: Same as It Ever Was

By David Fitzgibbon

Congress substantially changed the patent laws in 2011 with passage of the America Invents Act (AIA). One such change was made in the section covering the "on-sale bar." The long-standing requirement was, per 35 U.S.C. § 102, that an invention could not be "on sale" or "in public use" more than one year before the filing of a patent application. The AIA added a qualifier to that statutory language: There can be no patent if the invention was "in public use, on sale, **or otherwise available to the public** . . . ." (Emphasis added.)

Before the AIA, if the inventor used the invention for commercial purposes, the one-year "grace" period began – even if the use was secret and did not inform the public about the invention. The same was true for a commercial sale of a product that included the invention, even if the contract of sale was confidential. The only real exception was for "experimental use" to refine the invention before it became ready for patenting. The addition of the above emphasized catchall phrase to Section 102 introduced uncertainty into the law.

As a result, since 2011, sales made subject to confidentiality agreements have inhabited a gray area of impact on patentability. Patent holders, most commentators, and even the U.S. Patent and Trademark Office in its official regulations understood that the addition of the catchall phrase "otherwise available to the public" changed the law such *(continued on page 3)*

Canadian Trademark Law *(continued from page 1)*

actually being used in Canada. Beginning June 17, use of a trademark in Canada will no longer be a requirement for registration; an application can be filed without a "use" grounded filing basis. This change means that anyone will be able to file a trademark application whether they intend to use the trademark or not. Canada will become more of a "first to file" country, similar to China and some European countries. Also, and important for Canadian trademark applications that are pending and allowed as of June 17, the application can proceed to registration simply with the payment of the registration fee.

Takeaway: **It is highly recommended that clients file their trademark applications promptly and broadly to protect their trademarks in Canada and to prevent prior registration by third-party trademark squatters. Also, clients should be vigilant in watching their marks in Canada due to the ease with which third-party trademark squatters can secure registration.**

2. **Nice Classification.** Canada is one of the few countries that does not follow the Nice Classification system for classifying goods and services. As of June 17, Canada will begin using the Nice Classification system and will require each good and/or service in an application to be classified into one of the 45 current Nice classes. Not only will applicants need to provide the classification for the product and/or service, but they will also be charged an increased filing fee of $330 (CAD) for the first class and $100 (CAD) for each additional class.

   Takeaway: **Clients who are considering filing new Canadian trademark applications with multiple classes are encouraged to do so before the effective date to avoid this additional cost and paperwork. Now may also be a good time to consider expanding the scope of goods and services for current Canadian registrations.**

3. **Madrid Protocol.** Canada will now be a Madrid Protocol member country, joining the United States and over 100 other countries. The Madrid Protocol is a mechanism for facilitating the registration of a mark in several countries by filing a single international application and selecting the member countries in which protection is sought. A U.S. company can file one application with the U.S. Patent and Trademark Office (PTO) and designate an "extension" of the application for registration of the mark in any Protocol-member country. There is no need to hire legal representatives in foreign countries unless a rejection is received or some response is needed to the trademark office of that country. As the owner of an international registration expands to new nations, and as new nations join the Protocol, the owner can apply for protection in additional countries by subsequent designations under the same international registration. U.S. companies may file an intent-to-use application in the U.S. and then file in the PTO, using U.S. currency, an application for registration of the mark in any of the member countries – now including Canada.

   Takeaway: **Now it may be easier and less expensive for clients to secure trademark registrations in Canada.**

4. **Stricter Distinctiveness Standard.** Some categories of inherently "non-distinctive" marks, such as colors and sounds, previously required no showing of distinctiveness for registration in Canada. The new law gives Canadian trademark examiners greater ability to reject an application on the basis that the applied-for trademark is inherently non-distinctive, and to require applicants to make a greater showing that the mark has acquired distinctiveness before it can be registered. This "distinctiveness" requirement has long been in force for U.S. applications, but was not nearly as significant a requirement for Canadian applications. Other traditional, not inherently distinctive marks, such as descriptive marks and surnames, will be more easily rejected under the new law. It is likely that there will be more rejections for non-distinctiveness.

   Takeaway: **Applications pending on June 17, when the new law takes effect, will be subject to additional examination for distinctiveness.**

5. **Renewal of Registration.** The new law will reduce the renewal term for a registration from **15 years** to **10 years**. Existing registrations and pending applications that are renewed or registered before June 17 will still be in force for 15 years, but going forward, will be able to be renewed for only 10 years. Renewal applicants will need to classify their goods and services according to the Nice Classification system, if the goods and services were not previously classified. The fee for a renewal will be $400 (CAD) for the first class plus $125 (CAD) for each additional class.

   Takeaway: **Where possible and appropriate, clients should consider renewing and voluntarily classifying registrations before June 17. The Canadian Intellectual Property Office has provided an incentive for current trademark owners to update their registrations before June 17: The updates are free of charge. Also, clients with pending applications who are able to file declarations of use before June 17 should consider doing so in order to obtain a 15-year initial term for their registrations.**

6. **Enforcement.** The new law provides

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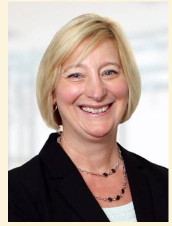
enhanced remedies and procedures for trademark owners to enforce their trademarks and to prevent the importation of infringing products into Canada. For example, "bad faith" opposition and expungement grounds are now available to combat trademark squatters. Registration owners will be required to prove use in an action for trademark infringement, however, if a mark has been registered for less than three years.

Takeaway: New remedies and procedures enhance the value of trademark registrations in Canada.

Now may be a good time for clients to review their trademark portfolios and take advantage of a multiple class filing, expand the scope of goods and services for a mark, renew a registration due for renewal after the new law takes effect, or initiate a trademark watch service for Canadian trademarks. Stradley Ronon welcomes the opportunity to assist its clients in a trademark portfolio review. ■



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IP Client Spotlight – Heraerus

Stradley Ronon's IP group represents Heraeus, a global specialty chemical company with technical expertise in the environmental, energy, electronics, health, mobility and industrial applications sectors in preparing patent applications and prosecuting those applications to grant. We are proud to assist Heraeus in protecting its innovations to deliver high-quality solutions for its clients and strengthen its competitiveness by combining unique material expertise with leadership in technology.

Heraeus

Stradley Ronon supports developments that emanate in a number of Heraeus business units both in the United States and in Germany, including preparing and filing a number of patent applications for Heraeus Daychem (U.S.) directed to photoacid generator compounds used to make photoresists harder and more efficient in connection with imaging polymer material layers in the manufacture of electronics and displays. ■

The On-Sale Patent Bar *(continued from page 1)*

that sales had to be public to trigger the on-sale bar and that sales made in private or confidential sales should not trigger the on-sale bar. Conversely, alleged infringers argued that all sales, regardless of any obligations the sales agreement placed on buyers or sellers, trigger the on-sale bar. The confusion as to what sales trigger the on-sale bar has persisted for the better part of a decade.

Recently, the U.S. Supreme Court resolved this confusion in its unanimous decision in *Helsinn v. Teva* (https://www.supremecourt.gov/opinions/18pdf/17-1229_2co3.pdf). The case involved Helsinn, a Swiss pharmaceutical development company that claimed it needed funding to complete its drug development. To address this funding shortfall, Helsinn agreed to sell the drug to a U.S. company over the course of a year before Helsinn filed its first patent application covering the drug. The sales agreement included a confidentiality provision. The drug was a commercial success.

As part of its attempt to enter the market, Teva sought to invalidate Helsinn's patent to the drug arguing that the on-sale bar was fatal to the patent. The district court held that the sales agreement did not trigger the on-sale bar as a result of the change in the patent law. Teva appealed, and the U.S. Court of Appeals for the Federal Circuit reversed the district court and held that the catchall phrase did not change the statutory meaning of "on sale" to automatically exclude secret or confidential sales and offers for sale. The U.S. Supreme Court then agreed to address Helsinn's case.

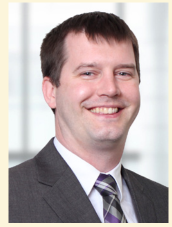
Unfortunately for Helsinn, the U.S. Supreme Court agreed with the Federal Circuit and invalidated the patent. In ruling Helsinn's patent invalid, the U.S. Supreme Court held that the addition of the catchall phrase did not support the conclusion that Congress intended to alter the meaning of "on sale." The long-standing and clear rule of law could not be overturned by the "oblique" language of the AIA. As a result, both public sales and those covered by confidentiality agreements trigger the on-sale bar.

Given the legal clarification, how should prospective patent owners proceed? One general piece of advice is to file for a patent as soon as possible. As inventors and their companies progress toward marketing their inventions, they will often want to sign up distributors, resellers and others ahead of a product launch. Such transactions should be evaluated carefully for their effect on the right to secure a patent on an important invention. And require that all participants sign strong nondisclosure agreements. Further, to be able to claim the benefit of the "experimental use" exception to an on-sale bar, make sure that external testing programs *(continued on page 4)*

The On-Sale Patent Bar *(continued from page 3)*

are focused only on services, testing and refining the product, and reporting results – not getting paid.

Helsinn v. Teva demonstrates that sometimes the more things change, the more things remain the same. Moving forward, patent holders should evaluate whether patents they own were the subject of any secret sales before the filing of their application, as such sales may be fatal to any action seeking to enforce their patent. Conversely, alleged infringers must craft their discovery requests to probe whether such secret sales occurred, which may be the silver bullet for getting a patent infringement case dismissed. In summary, *Helsinn v. Teva* confirms that the on-sale bar remains the same as it ever was – before 2011. ■



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