STHI LEGAL NOTES
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Trademark Law in Canada is Changing

What You Need to Know

In the fall issue of the STHI Legal Notes we talked about the four main types of intellectual property: copyright, patents, trademarks and trade secrets. *(Protecting Your Creative Works, Fall 2014)*

In this issue we want to provide you with an overview of the changes that the federal government has made to the law dealing with trademarks - Bill C-31. Although the bill has received Royal Assent it has not yet come into force.

The Trademark
A trademark is a recognizable sign, design or expression that is associated with a specific product or service. Examples include the Pan Am Games logo and Walmart's slogan *Save Money. Live Better*. One of the keys is that the logo or slogan is uniquely associated with the particular company or product. A trademark protects the goodwill or reputation of the company or product that it is affiliated with and allows the company to prevent others from using it without permission.

The Changes
Among other things, the amendments to the *Trade-mark Act* will bring Canada into line with international trademark protocols and procedures.

By way of their Canadian application, Canadian trademark owners will now be able to obtain registration in any one of the 92 member countries to help gain protection for their trademarks internationally. As well, international trademark owners will be able to designate Canada as a country where they would like to obtain trademark protection.

In this issue

When completing a trademark application, goods or services will now have to be grouped according to the classification system established by the *Nice Agreement*. For example, beer is found in class 32 and medical services are found in class 44.

In addition to the above changes, the following are some of the other significant changes to trademark law in Canada.

The amended Act contemplates the following as possible trademarks (referred to as a "sign" in the amendments):

- 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.

When applying to register a trademark, the examiners will now be able to refuse the application for a general lack of distinctiveness. Previously, this could only be raised in the opposition proceedings.

Those applying to register a trademark will no longer have to indicate the date the mark was first used. Up to now,

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Who's Gonna Pay?

The recent case of *Toronto-Dominion Bank v. Phillips* provides some clear lessons on the effects of consumer proposals and stays of proceedings.

The Story
Cindy and Richard owned a home as joint tenants, which was mortgaged for $268,000 in favour of the TD Bank.

A few years after purchasing their home, the couple began to run into serious financial difficulties. First, Cindy incurred a large debt using the couple's BMO overdraft. When she failed to repay the money, BMO obtained a default judgement in the amount of $32,734.37 plus costs. Although Cindy had borrowed the money, the judgment was actually against the couple jointly since the overdraft was in both of their names. To enforce their judgment, BMO filed a writ of seizure and sale with the local Sheriff.

Next, the couple defaulted on their mortgage. A month later the couple separated.

Two months following their separation, Cindy filed a consumer proposal under the *Bankruptcy and Insolvency Act* (the BIA.) Richard was not part of those proceedings.

Notice of the proposal was provided to all her creditors, including BMO. Under the proposal Cindy would pay the secured creditors and preferred claims. In addition, a further $18,000 would be paid out over the next five years to the benefit of the unsecured creditors. BMO's share of the $18,000 would be $3,682.79.

Chronology of Events

April 6, 2011
BMO obtains default judgment against Cindy

April 13, 2011
BMO files writ of seizure and sale

November 5, 2012
TD commences power of sale after Richard and Cindy default on their mortgage

December 2012
Cindy and Richard separate

February 1, 2013
Cindy files a consumer proposal

March 18, 2013
Cindy's proposal approved by the court

April 4, 2013
Cindy and Richard's house is sold

The Surplus
A few weeks following the acceptance of the proposal, the couple's house was sold by TD under a power of sale. After TD had paid off its mortgage, there remained a surplus of $51,545.14. Cindy and Richard were each entitled to half of the surplus. They agreed that $19,327.50 of the surplus should be paid to BMO. What they failed to agree on was whose half of the surplus would cover this amount.

Richard argued that the payment to BMO should be made out of the full surplus and that the balance be split equally between him and Cindy. Cindy however, argued that the surplus should first be divided and that the the BMO payment had to come out of Richard's half.
At first glance, Richard's position might seem to be the logical one, if not also the correct one. But because Cindy had previously filed a consumer proposal under the BIA, it would be these rules that would prove Cindy's position to be the correct one.

Consumer Proposals & the BIA
Individuals who have gotten in over their heads financially may look to the BIA for assistance in getting their financial affairs back on track. Individuals potentially have the option of either filing for bankruptcy or restructuring their debt by way of a consumer proposal.

Cindy chose the latter route. Once Cindy's proposal was accepted by the court, it became binding on all unsecured claims. What this means is that essentially all remedies of the unsecured creditors are stayed and they are barred from further pursuing the debtor or his/her property.

Although BMO was an execution creditor because it had filed a writ of seizure and sale following its default judgment against Cindy, an execution creditor is not a secured creditor. Therefore, BMO was also subject to the stay of proceedings imposed by the BIA and could not enforce its writ against Cindy. However, Richard and his property were not similarly out of reach since Richard was not part of the BIA process.

Although Cindy had been the spouse who borrowed on the overdraft, the overdraft was in both their names. As such, BMO's judgement and execution was against both Cindy and Richard.

Further, both Cindy and Richard had consented to BMO being paid $19,327.50 out of the surplus of the sale of their house and the court had granted an order authorizing this payment to BMO. This meant that BMO's execution was completed and acted upon. This had the net effect of severing the couples' joint tenancy in the surplus funds from the sale of their house. The payment to BMO could be taken out of Richard's share of the proceeds. In fact, it could only be taken out of his share.

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The Basics of Product Liability

A manufacturer of products which he sells in such a form as to show that he intends them to reach the ultimate consumer in the form in which they left him, with no reasonable possibility of intermediate examination, and with the knowledge that the absence of reasonable care in the preparation or putting up of the products will result in injury to the consumer's life or property, owes a duty to the consumer to take that reasonable care.
Donoghue v. Stevenson [1932] AC 562

There are a few cases that every lawyer not only learned in law school but never forgets. Donoghue v. Stevenson is one of those cases. It is a decision that not only forever changed the law of product liability, but more than 80 years later still stands as an important precedent.

Product liability is essentially all about negligence and the duty of care that a manufacturer, importer, distributor and retailer of products (collectively referred to as "manufacturer) owes to the consumer. In English Canada, this area of the law is governed both by the common law (previous court decisions) and legislation. In this particular article we will focus on the application of the common law to product liability cases.

The Duty of Care
In order for a plaintiff to successfully sue a manufacturer he/she must establish that:
1. the defendant owed the plaintiff a duty of care,
2. the defendant breached that duty of care and
3. the plaintiff suffered damages causally linked to the breach

A defendant will be found to owe a duty of care to a plaintiff if its conduct could foreseably result in a risk of harm to the plaintiff.

In the case of product liability, the courts have found that a proximate relationship exists between a consumer and a manufacturer and that this relationship gives rise to the requisite duty of care.

The duty of care owed to the consumer is that the manufacturer will take all reasonable steps to ensure that the product is reasonably safe for its foreseeable use.

Specific Types of Liability
The most common grounds for liability on the part of a manufacturer are:
- negligent design,
- negligent manufacture,
- breach of the duty to warn.

Negligent Design
The issue that is associated with the negligent design of a product is whether a particular aspect of the design is not only dangerous but also whether the risk associated with that specific design outweighs the value of having that product available. If the product could have been designed in a safer way then there may be a finding of negligence.

Negligent Manufacture
Canada does not impose strict liability on manufacturers. Therefore, with respect to negligent manufacture, the issue is whether a product was defective because it was not manufactured according to the specifications intended by the manufacturer.

Duty to Warn
Many products have inherent dangers. It is incumbent upon the manufacturer to warn the end users of these dangers, even the obvious ones, as well as any foreseeable misuse of the product. This is why user manuals often list what seem to be ridiculous warnings, for instance *do not immerse the iron in water or other liquid.* While some dangers may only become known after a product has been put on the market, the duty to warn remains.

A manufacturer of products…owes a duty to the consumer to take…reasonable care.

A manufacturer's liability may extend to any negligence on the part of the those who have supplied component parts. The reason is that manufacturers are expected to take reasonable steps in selecting the suppliers it deals with. They are also expected to take reasonable steps to test or inspect those parts.

Causation
Even if a consumer is able to establish that he/she was owed a duty of care by the manufacturer and that the latter breached that duty of care, the consumer must still draw the link between the breach of duty and the damages suffered. This is referred to as causation. The test for determining causation is the "but for" test, i.e. but for the manufacturer's breach of its standard of care, the consumer would not have suffered the "injuries".

Obviously it can be very difficult for a consumer plaintiff to have access to the evidence to prove causation with scientific certainty. Therefore, the courts will often infer causation

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registrants had to either identify when the trademark was first used in Canada or file a declaration post-application that the trademark was in now in use. Amendments to all associated marks owned by one entity are no longer required, thus allowing for an amendment to one of the marks only.

Currently trademark holders must renew their registration every 15 years. That renewal can be made as far in advance of the renewal deadline as the applicant chooses and up to six months after the renewal deadline. The new renewal period is 10 years and cannot be made until six months prior to the renewal deadline and up to six months after the deadline.

Finally, it is also anticipated that fees for applications are likely to increase.

There is no firm date as to when the changes will come into force. It depends on how long it takes to amend the *Trade-mark Regulations* and update the associated IT system. We will keep you apprised of its status.

During this waiting period it is the status quo. Once the amendments come into force there are likely to be some transitional rules. Our lawyers are available to help you navigate this time of change.

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The End Result

Although this may seem unfair to Richard,

- he was jointly liable for BMO's original judgment,
- the law is clear that a consumer proposal will stay proceedings by an unsecured creditor, which BMO was,
- the couple's joint tenancy was severed when Richard consented to BMO being paid thus leading to the completion of the execution and
- the BIA does not give the court the discretion to equitably readjust the allocation of the funds.

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from circumstantial evidence where the manufacturer's negligence could have caused the damages, and there is no compelling evidence of an alternative explanation for how the harm might have been caused.

Our firm works in the area of product liability. If you are a manufacturer and require advice to help meet your obligations we would be happy to work with you. If you are a consumer and have suffered a loss, either to your person or to your property, as result of a defective product please contact us.

It is true that behaviour cannot be legislated,
and legislation cannot make you love me,
but legislation can restrain you from lynching me,
and I think that is kind of important.

Martin Luther King Jr.
speech at Finney Chapel at Oberlin College
October 22, 1964

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