

Dear Madam,

RE: Attention User Fees Act: Fee-for-service proposal – Trademarks
and
Attention User Fees Act: Fee-for-service proposal- Patents

This correspondence is in response to the invitation to provide comment and complaints to the proposed new fees and their related service standards.

Introduction

FICPI Canada is the national group which is part of the International Federation of Intellectual Property Attorneys, an organization active in more than 80 countries with more than 5000 members. FICPI Canada counts amongst its members patent and trademark agents and lawyers from most of the major IP firms in Canada and many smaller firms as well. Our members represent all manner of clients and because of this have no particular bias – rather, FICPI Canada, like its parent organization FICPI, is interested in promoting changes to intellectual property laws that are fair and balanced and do not disadvantage any one group of IP owners. Our members have a keen interest in the fees structure proposed and the processes that appear to underlie the fees.

Trademark Fees

1. Summary of FICPI Canada's Position

We have carefully considered the fee-for-service proposal and must conclude that, based on the limited information available, it does not meet the needs of several groups of IP rights holders nor the overall needs of most IP rights holders and should therefore be revised.

While our members welcome the availability of trademark applications through the Madrid Protocol system, we conclude that this system will be of potential benefit in respect of under 4% of applications filed by Canadians. We base this on the presumption that the Madrid Protocol is advantageous to Applicants filing in at least two countries other than Canada. Invariably, Applicants choosing to protect marks outside Canada look to the US. The experience of our members suggests Applicants then look to Europe for protection. At that point the Madrid system could conceivably offer advantages and might be of value to some Applicants. If less than 1000 EUIPO applications are filed by Canadians per year then we would expect a maximum of 1000

applications to enter the Madrid system in the name of Canadian entities out of the approximately 21,000 applications filed by Canadians. This number is a generous estimate since the rate of registration for Canadian Applicants is roughly half of the 21,000 applications filed.

This must, in our view, be contrasted with the other 20,000 applications filed by Canadian individuals and companies who will not use the Madrid system. Smaller entities and individuals who do not offer goods and services beyond Canada, or perhaps Canada and the US, will be under-represented in the group deriving benefit from the Madrid Protocol filing tool. Quite simply, the advantages of any of these treaties, while significant for a few large companies, are minimal or non-existent for most Canadian businesses. With that in mind we believe that the mandate should be to offer the option of Madrid-system filing at a cost and in a manner which has minimal detrimental impact on Canadian business.

Mindful of CIPO's revolving fund status and the fact it must self-fund, to ensure that the changes required by the treaties have minimal financial impact on those most affected, namely individuals and SMEs, we believe it is essential for the fee structure and underlying system to allocate expense to those entities deriving a benefit, at least to the extent possible. We believe a further goal should be to minimize the detrimental impacts of the new system to the extent possible.

FICPI Canada acknowledges and heartily endorses CIPO's goal of "creating incentives to ensure the Register accurately reflects the Canadian marketplace (i.e. that it contains properly scoped trademarks that are in use)." This concern was widely expressed by more than 200 IP practitioners across Canada, many companies, organizations and chambers of commerce during the process of legislative change triggered by the Madrid, Singapore and Nice Treaties.

We believe there are several modifications to the proposed fee structure that would ensure the cost of trademark protection in Canada increases no more than necessary for all trademark owners and also ensures Canadian SMEs are not disadvantaged by the new system.

- i. The most important modification would be for CIPO to accept voluntary Declarations of Use at any time on or after filing. This returns balance to the system and, as these would be entirely at the discretion of the Applicant, would not place an undue financial burden on Applicants. Such a Declaration should result in the rebuttable presumption of rights as of the date claimed, for example if the Application is Opposed or used for Opposition purposes. While the simple provision of allowing voluntary Declarations would be helpful, we believe that the overall benefit of having most trademark records contain an indication of use is substantial and thus it

- would be best for fees to be structured in such a manner that a Declaration of Use at the time of filing reduces filing fees payable. We would also like to ensure that any fees proposal accounts for the, hopefully limited, clerical cost of accepting and including as part of the information available via the CIPO database, information as to use of a mark by an Applicant.
- ii. We are also of the view that post-registration proof of Use is essential to meet CIPO's goal of ensuring that to the extent possible the Canadian Register contains properly scoped marks that are in use in Canada and not unnecessarily preventing others from using the same or similar marks in other fields.
 - iii. It does not seem prudent to combine Application and Registration fees into one fee payable at the time of Application. This proposed fee structure again disadvantages SMEs who have limited budgets for trademark clearance and frequently use the Examination process as a form of clearance. If a serious problem arises, the mark is abandoned. For this profile of user, combining application and registration is a disadvantage over larger entities with budgets for trademark clearance. We therefore support maintenance of separate Application and Registration fees unless perhaps the cost to SMEs can be offset by reduced costs for Applicants who make a Declaration of Use.

2. Reducing Administrative Burden and Addressing Widely Held Concerns

We believe that the approach of using a voluntary Declaration of Use at or after filing adds no burden since it is entirely optional. Only those entities who want the advantages of, for example, favourable presumptions during Opposition or more weight being given the existence of the mark if it is located during a clearance search, and are prepared to assume the requirements to make such a Declaration will be affected. The advantages to all users of the system are obvious. Knowing the use status of a greater proportion of marks arising during search, clearance, examination and Opposition will decrease costs to IP Applicants and Registrants overall.

In respect of the post-registration proof of use requirement, this does not increase burden or costs during the period of acquisition of a registration. Similarly, it does not delay grant. Rather, it merely sets a minimal requirement for an owner to maintain the valuable asset that is a registration. There is considerable benefit to all users of the system in that such a requirement ensures rights reflect commercial use and brings certainty, at least in respect of those registrations for which post registration proof of use has been filed.

While we consider a US-style requirement with examination of specimens by CIPO

would be the preferred means of ensuring the Register reflects actual rights, mindful of the administrative cost of such examination, we accept that CIPO's responsibility for assessing what is adequate proof might be limited. What is essential in the view of FICPI Canada is that the requirement exists and the specimens are available to others online so that use can be verified by interested parties.

Further consideration should be given to the point in the life of the registration at which proof of use should be required. There is some logic in harmonizing practice with the US, our major trading partner and jurisdiction where Canadians overwhelmingly choose to file when filing beyond Canada. This would suggest a requirement between years 5 and 6 is best. However, there is good argument for requiring proof of use earlier. The benefits this would have to all users of the system should be considered when making that choice. We propose exempting those who have made a Declaration of Use during the Application stage from a pre-renewal requirement for proof of use. For the same reasons we support a requirement for proof of use after registration, we support a requirement for proof of use every 10 years on renewal of the mark.

Noting that, at the time the new legislation was discussed, CIPO manifested an intention to possibly make increased use of CIPO generated s. 45 notices, we believe that deficiencies in proof of use could be dealt with by sending such notices instead of extended protracted examination.

The advantages in having a Declaration of Use on file relating to Opposition could vastly outweigh the minimal burden of voluntarily filing a Declaration of Use identifying a date of first use or simply that use has commenced. The Board has recently reported 1600 Oppositions per year are average. This equates to approximately 3% of the Applications filed. The rate of Opposition at the EUIPO is significantly higher, exceeding 15% and may be the upper limit it is reasonable to anticipate. The former Chair of the Canadian Opposition Board advised during the senate hearings surrounding the legislative process that she envisioned an increase in opposition to 7-8%. As such, using conservative estimates, under the new system every Applicant will have more than double the chance of encountering Opposition. Each year that passes will see more Registrants called upon to defend rights through Opposition to the marks of others. If the average cost of Opposition is \$15,000-\$20,000 this equates to a significant cost for Canadian business and indeed all Canadian Applicants.

Clear and accurate statements of use should reduce the frequency of Opposition. Otherwise, until the evidence stage, an Opponent will have no firm idea as to what use might be claimed by an Applicant.

Furthermore, we support changes to the Rules that create a rebuttable presumption of rights where a Declaration of Use has been made in respect of an Application. This again reduces the burden on Applicants and Registrants, especially those encountering

conflict with Applications or Registrations containing overly broad claims not supported by use in Canada.

In respect of our proposal to have separate Application and Registration fees, the paperwork burden should not increase as the Registration fees would require nothing but payment of fees and that could be done simply and easily online. Similarly, there should be no delay in grant owing to the payment of these fees. Provided the amounts were similar, there would be little or no discrepancy between Madrid filed Applications and others and, as such, no differential treatment in terms of cost. We believe that maintaining separate registration fees will help mitigate some of the costs of the new system that will otherwise be disproportionately borne by Canadian individuals and SMEs applying for trademark registration.

We do not object to the per class fees and believe that this will help prevent some abuse in respect of overly broad claims. However, we are strongly of the view that this alone is not sufficient. Large entities can and will file applications and accept registrations across all classes if this is permissible. Without sufficient checks, this gives these entities unfair advantages and imposes a cost on all other users of the system. We believe our suggested procedures involving Declarations and proof of use are necessary to prevent substantial increases in the cost of acquiring trademark rights for many Canadian companies, and, in particular, small Canadian companies and individuals. Absent these measures, the cost will increase for clearing, registering and enforcing trademarks.

3. Recognition of CIPO's Goals

It is accepted that CIPO is a self-funded entity and will require a fees increase to continue to deliver high quality substantive examination on the timelines required by Madrid. However, FICPI Canada believes that the fee structure proposed unfairly places burden on Canadian SMEs and advantages large foreign entities who routinely file, and, where possible, register, covering every class. More must be done to equalize the burden whilst ensuring CIPO can continue to deliver its current level of services to trademark owners.

We are concerned that CIPO has underestimated the cost of the new system. In particular, we believe that there will be considerable cost levied on all users of the system associated with Nice classification. We understand that with modern search capabilities Nice classification has become obsolete. Classifying and verifying classification of all existing and future registrations will come at a cost both for CIPO and Applicants/Registrants. We would like to be provided with more detail regarding the classification process including what restrictions will exist in respect of changing or adding classes. Until we understand the entire process and its cost, we cannot agree that no associated fee is necessary.

We also note that, for example, many US fees are calculated on a per class basis including Opposition and Petitions for Cancellation. We believe the same might be necessary in Canada but cannot comment more precisely until we are advised of the precise changes to practices and procedures required with the advent of the new system.

We also are uncertain to what extent Applications filed using the Madrid system will add burden and cost to the Canadian Office. We invite particulars as to what the estimated costs are for the major tasks associated with processing Madrid applications and Oppositions involving these marks including but not limited to:

- Correcting irregularities in applications;
- Meeting externally set deadlines (will Madrid applications be entitled to fast-tracking not otherwise available to Applicants?);
- Informing the International Bureau of WIPO of notifications of provisional refusal;
- Notifications to the IB that Opposition might be filed after the 18 month deadline;
- Date of Opposition Notification requirements;
- Dealing with Applications published shortly before the 18 month period expires;
- Communications of final status;
- Requirements for Opponents to list goods and services on which an Opposition is based;
- Re-advertisement of marks designating Canada;
- Replacement of a Canadian Registration by an International Registration;
- Correcting or changing classification.

FICPI Canada also enquires as to whether thought has been given to a rapid and low cost invalidation of Madrid originating registrations in instances wherein there has been a failure on the part of CIPO to notify of a provisional refusal on a timely basis resulting in the Application being immune from Opposition and issuing to Registration. This situation would seem to create an extreme disadvantage to senior rights holders who would be left with no recourse other than a full Federal Court Proceeding.

We agree with the proposed substantially higher fees associated with paper filing as this will encourage electronic filing. We believe e-filing is a simpler and lower cost option that all users should be encouraged to make use of. However, this presumes online filing functionality. The proposed reduced fees for electronic filing is only compatible with the maintenance of an online filing system that sees very little, if any, down time. Much awaited and needed changes to the online trademark systems have not materialized as promised. While we support and encourage favourable fees for handling tasks electronically, CIPO must commit to improving current electronic systems and perhaps allow for reduced fees when e-filing systems are down.

4. Fee for Service Proposal and Impact assessment

We disagree that “CIPO’s existing services and processes will remain mostly unchanged.” An entirely new process will be required for the handling of Madrid applications. The tasks outlined above will, we believe, come at a cost. We would like further particulars as to how the process will operate and what budget has been allocated for this work. Our primary concern is that these few applications will be processed first if CIPO examination times continue to increase and pressure builds to meet the deadlines established by the Madrid system. We do not think quality can be maintained given the new requirements, nor do we expect that the changes will be fiscally neutral.

We note that, in arriving at the fees proposal, CIPO forecasted volumes and expected changes to processes and client behavior. We invite specifics as to those presumptions in order that we might assess validity. It would be premature to accept proposals regarding fee levels not having a sound understanding of the presumptions on which the numbers were based.

We note CIPO considered and set out comparable fees for other jurisdictions. However, we do not believe the simple comparison tells the whole story. For example, it does not account for the US per class charges for many tasks. As such, the proposal does not meet the requirements set out suggesting international comparisons are appropriate. There appear to be no similar charges envisioned in Canada and thus we fear that the herculean task of classifying and/or reclassifying almost 1.5 million existing trademarks, combined with requirements specific to Madrid applications, will leave CIPO short of funds.

The consultation document states “By having Canada adopt the Nice Classification, Canadian Applicants seeking trademark protection abroad will find that drafting an application will be easier since the goods and services should be classified the same way in all member countries. Also because the classification exists in several languages, it will be much easier for Applicants to file for trademark protection internationally.” This oversells the value of classification and ignores the tremendous cost associated with this exercise.

In fact, classification issues abound. Some have been tabled before the EUIPO involving inconsistent classification as between EUIPO and the member states of Europe. Indeed, there is considerable dispute over classification the world over. Nice classification should be effected in a manner that ensures there is minimal cost to Canadian trademark owners. Classification is irrelevant in respect of the consideration of confusion. It offers no meaningful benefit to users of the system yet it stands to create considerable cost when all existing registrations must be classified and any

classification verified. We invite further information as to how CIPO plans to implement the Nice requirements including who, as between CIPO and the Applicant/Registrant, bears the cost burden of classification and on what basis changes to classifications may be entered.

In tabling the current proposal, it appears CIPO did not address the concerns of the numerous Agents, Organizations and Companies who disagreed with the proposed legislation and were concerned about its effect. Regulatory change, in particular combined with the correct fee structure, could address the vast majority of the concerns raised. Recognizing the need to confirm use for goods and services listed in registrations as early as possible in the life of the registration is essential if Canadian business is to continue to protect its IP, at least to the extent it is doing now. A fee per class only places a financial barrier, segregating smaller from larger companies, in terms of the extent of protection possible. S. 45 Cancellation is currently used relatively rarely and is not an adequate means of removing all but the most obvious examples of deadwood on the Register. However, a requirement to file proof of use combined with cancellation notices when that proof was deficient would ensure Canadian trademark rights reflected true commercial activities. We would support higher renewal fees if CIPO were to implement means for ensuring only Registrants actually using their marks in Canada are permitted to possess the valuable rights associated with a registration.

5. Service Standards

We are concerned about CIPO's ability to meet its services standards should the proposed fees be adopted. For the reasons noted above, including, *inter alia*, the substantial burden of classification, procedures for examining Madrid-system filed applications, and changes to Opposition practice, we believe examination and opposition times and quality will change to the detriment of all users.

Specifically, we consider current filing and examination times to be appropriate for a system such as the Canadian one which includes generally high quality substantive examination. However, greater emphasis is needed to ensure quality standards are set and being met. Transparency and consultation with users is essential as both have diminished substantially over the past few years.

Service standards set for Opposition are not acceptable. Members report rather widespread disapproval and indeed surprise at news that the wait for a hearing date, or decision without hearing, is as long as 12 months. Applicants and Opponents are, during the Opposition process, frequently adversely affected by strict timelines for such onerous tasks as the collection of evidence or conduct of cross-examination. It therefore comes as a surprise to the parties to hear that, after being hurried through the process, often regardless of whether the parties agree the delay is acceptable, they face a one

year plus wait for a hearing or a decision. We suggest these service standards are not currently acceptable and, as the Opposition rate increases, the standards are likely to worsen. We do not see how the current fee structure looks to improvement or even maintenance of the current Opposition time frames.

The consultation document refers to comments from Applicants, the agent community, managers, and employees being positive and aligning with CIPO's mandate. We are uncertain what consultations are being referenced. We have not been consulted nor are we aware of any of our members, their firms, or our clients having been consulted. Furthermore, CIPO does not appear to have addressed the many concerns raised by many individuals, organizations, and companies during the legislative consultation process. We invite an open, transparent, and wide-ranging consultation to discuss how concerns voiced strongly in the past and not yet addressed might be addressed in the context of setting the fees and, of course, the procedures associated with the implementation of the three treaties.

We thank CIPO for enquiring as to our concerns and complaints regarding the proposed fees changes and look forward to a continued dialog involving the fees and other changes contemplated in conjunction with the changes to make Canada compliant with the Madrid, Singapore and Nice Treaties.

If our complaints are not resolved we would welcome the consideration of an independent advisory panel as suggested in the consultation documentation.

Patent Fees

1. The patent fees themselves are felt to be reasonable, particularly when the Applicant is able to use the proposed lower fee when reinstating during the "late period" prior to abandonment. However, the processes associated with some of the proposed fees for correcting errors is potentially harmful to Applicants. Table 3, with the summary of fee-related service changes for error correction is copied below:

Service	Summary
Correction of obvious errors	Moving from correction of clerical errors at any time to obvious errors Eliminating corrections beyond 6 months after grant Fee applicable only after grant
Amendment after allowance	Simplified amendment after allowance procedure Expanded scope of permissible amendment after allowance Elimination of amendment after post allowance abandonment

One concern is that obvious errors cannot be corrected after the 6 month period, post

grant. This absolute cut-off for making such corrections is considered to be harsh. While the process is more flexible as to what can be corrected, the limitation of 6 months relies on catching any such errors immediately after grant.

Another concern is that the amendment after allowance process is now meant to be used to make more substantive amendments. While on the face of it, this appears to be beneficial, in fact the proposed process would be detrimental to Applicants in many cases. That is, there is a concern with removing the ability to make amendments when reinstating after abandonment for failing to pay the final fee. As many practitioners and Applicants know, this practice of abandonment-reinstatement after receiving a notice of allowance is used to avoid double patenting pitfalls. In order to do so with the proposed new fee structure, a larger fee would be required.

We again thank CIPO for inviting these submissions and look forward to continued cooperation in respect of fees and other coming regulatory changes.

Yours sincerely,

Coleen Morrison
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FICPI Canada

On behalf of
John Knox
President
FICPI Canada