Mathys & Squire

Canada: the trade mark basics

When first entering any overseas market, whether to sell goods or services or as a place of manufacture, one of the most important things to remember is that trade mark rights are geographical in nature. Hence, rights which you might have in one territory (such as the UK) do not necessarily provide corresponding protection in an overseas market.

In view of this, we have put together some advice and top tips for those entering the Canadian market for the first time.

The 'heads up'

1. Not understanding packaging and labelling requirements

There are very specific product labeling standards which have to be applied for consumer products, pre-packaged foods, and cosmetics sold in Canada. Packaging and labeling requirements are governed by legislation at both the federal and provincial levels. These can be anything from bilingual labeling requirements to standardised container sizes for certain types of food products. Ensuring your products conform to Canadian rules and regulations is essential, as incorrectly labeled products can be impounded by Canada Border Services Agency until the labeling problem is corrected.

2. Potential costing errors

Opportunities for error in determining the actual cost are considerable. Import tax rates can vary considerably depending on the type of product, where in the world it is manufactured and whether it competes directly with Canadian made goods. Importers into Canada can be hit by fluctuations in the foreign currency exchange v/s the Canadian Dollar, the cost of transportation (the geographic distance between Canada's largest markets can result in significant transportation costs) and costs for insuring goods in transit.

Take care to avoid some of these costs by carefully specifying your International Commercial Terms ('Incoterms'); a series of internationally recognised commercial terms published by the International Chamber of Commerce. For example, Incoterms can be used to specify who has to pay import taxes – the buyer or the seller.

3. Not understanding Canadian rules and regulations

Having your goods turned away at the border or held up at customs because you didn't have the right paperwork could be detrimental to your business. Be sure that you understand the rules and regulations involved in clearing your goods through Canadian customs. For example, determine if the goods you want to import are prohibited from coming into Canada, determine if the goods are subject to any restrictions that would require you to obtain approvals or permits before importing them and ensure that you use a shipping company that understands and complies with customs formalities. Make sure that any contract you sign stipulates that it is governed by Canadian legislation. You must not only consider federal statutes and regulations, but also provincial ones for each province in which you will be doing business.

4. Failing to properly research the Canadian market

Market research is a vital part of any business plan. Before investing in exporting goods to Canada, ensure there is a demand for your product. Nothing takes the place of visiting the target market yourself. On-site, you can talk to potential buyers and learn everything you need to know about the competition, local rules and distribution channels. Attending trade shows and events specific to your industry in Canada can also be helpful.

5. Not making the right strategic choices

Penetrating foreign markets is a long-term commitment that demands a lot of time, effort and money. Don't spread yourself too thinly. Canada is the second-largest country in the world, with an area of approximately 10 million square kilometres and a population exceeding 38 million. Underestimating the size of the country and diversity of the population could be detrimental to success. Successful companies almost always concentrate on one area initially, e.g. the province of Ontario, or a major city such as Toronto, Vancouver or Montreal. Once you have succeeded in your first target area, you can attempt to enter other provinces across the country.

Some important branding considerations for overseas companies planning expansion into Canada

1. Clearance searches

Before making plans to market and sell your goods in Canada, ensure your brand name, slogans, and logos will not be infringing on another party's trade mark rights. If the name is clear, file a trade mark application to secure the trade mark rights before you enter the market.

2. Consider common law trade mark rights

While the trade marks office will examine applications on a 'first to file basis, it is the party that used the mark first in Canada that is entitled to register it. When doing clearance searches, ensure your trade mark agent takes into account common law sources (use without registration on the market). Failure to identify holders of common law rights may result in unanticipated opposition proceedings or litigation.

3. Proper licensing

In Canada, the use of a trade mark by anyone other than the owner of the trade mark must be in accordance with the requirements of the Trade Marks Act. Failure to properly license a trade mark can result in a loss of trade mark rights. You also want to ensure that your licensing agreements stipulate that they are governed by Canadian legislation.

4. Quebec French language provisions

Companies doing business in the province of Quebec are subject to the Charter of the French language ('Charter'). The Charter promotes the use of French language throughout Quebec by mandating that business names, public signage, advertising, commercial publications, websites, product inscriptions, etc. be in French. If another language is used, it must not be more prominent than the French. Some exceptions exist, including for recognised trade marks. That said, consideration should be given to whether a brand would be better received in French speaking markets if it is translated into French, and protected accordingly.

5. Basis for registration in Canada

When developing an international strategy for trade mark protection, applicants will likely want to take advantage of being able to base their application on use and an application/registration in their home country. Doing so will provide applicants with the ability to obtain a Canadian registration, without the need to file a declaration claiming use in Canada. This essentially gives foreign applicants an additional three years from the date of registration to introduce their products into Canada, without the fear of cancellation of their mark for non-use.