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SUMMARY OF AMENDMENTS TO CORPORATE NAME-GRANTING POLICY

introduction

This summary describes the changes that have been made to Corporations Directorate's corporate name-granting policy which is found in two documents: the Name-granting Guidelines and the Name-granting Compendium. This annex also summarizes the comments made during consultations and explains the decisions taken as a result.

The summary is divided in three parts:

1) Part A (pages 2 through 6) informs the reader of the amendments that have been made to existing sections of the policy; namely, in the areas of:

- distinctiveness
- secondary meaning
- bilingual names
- trade-marks
- examples of consents and undertakings
- connotations of financial institutions
- use of "Corp." as the legal element
- successor company restrictions
- dilution of distinctive words

2) Part B (pages 6 through 9) discusses sections that have been added to the policy. These are in the areas of:

- Internet names
- official marks
- NUANS reports for names with more than one distinctive element
- Corporations Directorate's voice information system
- NUANS searches on continuance and amalgamation

3) Part C (page 9) discusses changes made to the Corporate Name Information Form to make it less long and less complicated.

Clients should also be aware that we have decided to continue offering both the Name-granting Guidelines and the Name-granting Compendium since the two documents fill different needs: the guidelines are more user-friendly and are intended for the layperson while the compendium is more detailed and is intended for frequent users of the name service.

Finally, we have added an index to the Name-granting Guidelines and the Name-granting Compendium to make them both more user-friendly.

A. SECTIONS OF THE POLICY WHICH WILL BE AMENDED

The Name Policy has been amended in the areas listed below. The vast majority of respondents to our consultation were in favour of amending the Policy in these areas.

1. Lacking Distinctiveness - Regulations 19(a) and 19(b)

By law, corporate names must be distinctive and not simply generally describe the business that a corporation does. The corporate name regulations under the CBCA closely resemble certain provisions of the *Trade-marks Act* ("TMA") in respect of the question of distinctiveness. Increasingly, corporations refer to trade-mark law in making applications for a corporate name. We acknowledge the usefulness of applying trade-mark principles when enforcing Regulation 19 in light of the well-established case law in this area as well as corporations' familiarity with these standards. With this in mind, the Director has revised the Name Policy in an effort to more closely align the Corporations Directorate approval criteria with those of the Trade-marks Office.

Under Regulation 19(a), a **corporate name will be considered too general, and therefore not acceptable when the words are only descriptive of the type of business, industry, product or service**, for example, Car Sales Inc. Names that are merely suggestive of the type of business, industry, product or service, however, will be acceptable.

Under Regulation 19(b), the **name will be rejected for being "only descriptive" when it only describes a quality of the corporation's business or its goods or services**, for example, Faster Delivery Services Inc. Three exceptions will be allowed under 19(b): 1) alliteration - for example, Better Business Boardrooms Inc. 2) words commonly used as a distinctive feature, for example, Superior Machinery Ltd. and 3) an unusual combination of words, for example, Endless Furniture Inc.

Not all respondents agreed with these proposals. Some respondents felt that there was more that could be done to harmonize corporate name policies with the trade-marks procedures and practices. One respondent pointed out that our reference to a "merely descriptive" test was not in line with the "clearly descriptive" criteria used under TMA. Another comment was made that some suggestive and therefore acceptable names could also be unacceptable by reason of being deceptively misdescriptive.

We have considered these comments carefully and discussed them further with officials from the Trade-marks Office. We feel that, due to differences between *Trade-marks Act* and the Canada Business Corporations Act, as well as to the differences in the administration of both processes, it is not possible or advisable to emulate trade-mark practices completely in this area. The subtlety in the criteria applied and the tests performed under the trade-mark registration process can not possibly be integrated into the name-decision process. The *Trade-marks Act* has extensive, precise procedures and a body of case law which assists in interpreting the statute. By contrast, the CBCA provides almost no procedures for getting a corporate name approved and the case law which exists is more general. We do not think it is desirable to impose the stringency of the TMA on the CBCA. It should not be as difficult to get a corporate name as a trade-mark.

We agree, however, that we cannot approve names that are obviously deceptively misdescriptive. We also agree with the comment about "merely descriptive", and have revised this wording to refer to "only descriptive".

2. Secondary Meaning under Regulation 19

"Secondary meaning" refers to the distinctiveness that may be acquired through use of a name which is otherwise only descriptive. For example, a name such as Used Car Sales, which lacks any distinctiveness, may become distinctive after thirty years of widespread use by a business in the used car sales field. The words then bring to mind a particular business, instead of just describing a type of business. The Name Policy is amended to **require a written affidavit to support claims of secondary meaning under Regulation 19**. The majority of the respondents were in favour of this addition. One consultee objected, but without comment.

3. Bilingual Names

The Name Policy did not permit corporations to translate the distinctive element of a corporate name into the other official language. This rule has proved to be difficult to apply. In our view, the translation of the distinctive element should be permitted where it is unlikely to cause people to think that the French and English forms of the corporate name represent two different corporations. All respondents were in favour of amending the Name Policy to **permit literally translated bilingual names** while keeping as a safeguard the principle that **the French and English forms of the name cannot be so different as to appear to be the names of two different corporations**.

At recent Directorate client training seminars, however, several clients from less bilingual parts of the country objected that accepting French and English forms of a corporation's name which were phonetically different, but literal translations of each other, would likely mislead persons dealing with the corporations who were not bilingual. Their fear was that these non-bilingual persons would not appreciate the fact that the English and French names belonged to the same company because the two forms did not share a common distinctive element.

We believe that corporations are less likely to make use of both English and French forms of a corporate name in less bilingual parts of the country. In addition, we note that the current Name Policy permits a French and an English form of the descriptive words in a corporate name, which may suggest totally different businesses to a person who is not bilingual. Therefore, in our view, a policy which also permits English and

French versions of the distinctive element of a corporate name is not likely to result in a significantly worse situation than already exists in non-bilingual parts of the country. For these reasons, the Director's Policy has been amended as proposed.

4. Trade-marks

The Name Policy did not explain clearly whether a proposed name should be approved when similar trade-mark registrations or applications appear on the NUANS search report. In the consultation materials, the Director proposed to amend the Policy to set out how decisions are made in this area, firstly when the conflicting trade-mark is owned or proposed by someone other than the applicant, and secondly, in situations where the trade-mark is owned or proposed by the applicant. All respondents were in favour of the proposed changes to the Policy relating to trade-marks.

Consultees raised an issue, however, relating to the granting of names based on the Corporations Directorate's understanding that the client who is granted the corporate name will contest the trade-mark registration or application owned or proposed by someone else. Respondents asked what would happen if a corporate name applicant never contested the trade-mark or lost the contest against the trade-mark.

The comments received have resulted in a further amendment to the Policy. **In a situation where 1) there is a conflicting trade-mark that has been registered for less than 5 years, and 2) the corporate name applicant has had prior use of the name, we will only approve the corporate name where the applicant provides us with an undertaking that he or she will contest the offending trade-mark.** If the corporate applicant does not contest the trade-mark registration by the end of its fifth year of registration, the undertaking can be used to force the corporation to change its corporate name. If the client does contest the registration but does not get judgment in his or her favour, there will likely be a court decision indicating that the rights of the corporate name owner are inferior to those of the trade-mark owner. We feel that it is likely that the corporate name owner would then change the corporate name to a name that could be used without risk of a court action by the trade-mark owner.

5. Examples of Consent and Undertaking

In order to provide clients with examples of consents and undertakings required under the name regulations, we have amended the Name Policy to provide **suggested consent forms** to be used under Regulations 25, 26, 27 and 28(2) and (3). All respondents were in favour of these additions to the Policy.

6. Connotation of a Financial Institution - Regulation 17(d)

Section 17(d) of the *Canada Business Corporations Regulations* prohibits corporate names which connote that the corporation carries on the business of a bank, loan company, insurance company, trust company or other financial intermediary. The former Name Policy sets out the Director's policy on proposed corporate names that connote financial intermediaries. The Policy also refers to provisions of certain laws administered by the Office of the Superintendent of Financial Institutions, and explains the requirements of the *Trust and Loan Companies Act*, the *Insurance Companies Act* and the *Bank Act*. **The first two of these statutes have recently been amended, making them more similar to the CBCA regulatory provisions.** In the consultation we proposed to **amend our policy to reflect the changes to these statutes.** All respondents were in favour of these changes and they have now been made.

7. Use of Legal Element, "Corp."

While the Name-granting Guidelines state explicitly that a corporation using the legal element "Corp." in English may use the legal element "Corp." in French, there was no explicit statement to this effect in the Name-granting Compendium. Further to feedback received at various Directorate's client training seminars, we proposed to clarify the Compendium to reflect the fact that **"Corp." can be used in both official languages.**

All respondents were in favour of this clarification, and the Name-granting Compendium is amended accordingly.

8. Successor Company Restriction

Subsection 27(2) of the *Canada Business Corporations Regulations* permits an entity that succeeds to the name of a corporation to delete the reference in its corporate name to the year of incorporation two years after its use has been introduced, provided that the corporate name will not then be confusing. The Director proposed to clarify the Name Policy **where a successor company name is only the name of an individual plus the year of incorporation, for example, John Smith (1999) Ltd. The corporation is not, in such circumstances, allowed to remove the reference to the year after two years** since the name would be prohibited under Regulation 19(c) as being primarily the name of an individual. This has always been the practice of the Director, but was not spelled out clearly in the Name Policy. The Name Policy has now been amended.

One consultee took this opportunity to comment on our Policy respecting Regulation 19(c). This person stated that under trade-mark rules, only surnames or full names of individuals were considered not registrable, and that under Regulation 19(c), we should apply the same criteria. This would involve a review of various sources, including directories and other relevant listings, before making a decision on a corporate name which is primarily a name or a surname.

In response to this comment, we are of the view that the name approval process must be an expeditious process. It would be impractical at the present time to review listings and directories to verify whether a name or surname contravened a Policy under Regulation 19(c). Since, in contrast to a *Trade-marks Act* decision, a name decision under the CBCA does not grant exclusive rights to use of certain words, there is no need for CBCA decision rules to be as stringent. For these reasons, the Name Policy respecting Regulation 19(c) has not been changed in the manner suggested.

9. Dilution of Distinctive Words

"Dilution" means that a distinctive element becomes more "diluted", or less worthy of protection, the more often it is used by unrelated businesses. It was apparent from the comments obtained at various Directorate client training seminars that many of our major users did not have a good understanding of this concept.

Consequently, the Director has inserted a paragraph in the Policy which **defines and explains the concept of dilution**. All respondents agreed with the proposed clarification to the Name Policy.

B. NEW SECTIONS OR ADDITIONS TO THE POLICY

The Name Policy has been modified by the addition of new sections dealing with various subjects which were not addressed explicitly in the former Policy. The majority of respondents to the consultation material were in favour of the changes which follow.

1. Internet Names

The Name Policy did not address the use of a domain name as a corporate name. The Director proposed to add a new section to the Policy dealing with the increasing use of corporate names which reflect the domain name of the business. The Policy now states that while corporations can continue to use **the extension of the domain name (".ca" or ".com")** as part of their corporate names, the extension **will not be considered a distinctive element of the name**.

Although all consultees were in favour of this approach, one respondent commented that it appeared to be inconsistent with the Director's Policy on geographic terms which permits the use of words like "Canada" as distinctive features. In the respondent's view, since city or country names are often not acceptable as parts of trade-marks, they should not be considered a distinctive element in proposed corporate names.

In response to this comment, the Director notes that *geographic terms* have always been accepted as a distinctive element in federal corporate names. There is no need for the CBCA to be as stringent as the *Trade-marks Act* since no exclusive rights to corporate names are granted under the CBCA. Therefore, we do not propose to change this long standing policy in order to make it conform to the *Trade-marks Act*. As a result, the Policy on use of domain names like ".ca" may appear to be somewhat inconsistent. It should be noted, however, that ".ca" is a much more incidental part of a name than "Canada" and therefore, it carries notably less distinctiveness than "Canada". On a related point, it should also be noted that the policies under the CBCA name regulations are not applicable to the granting of domain names by the relevant authorities.

2. Official Marks

Official marks are marks published by public authorities such as the Canadian Olympic Association, under the provisions of the *Trade-marks Act*, giving them exclusive rights to the words published, for example, Olympic. Although not specifically referred to in the CBCA or the Name Policy, it had been the practice of Name Officers at the Corporations Directorate to give official marks the same consideration they gave trade-marks in making name decisions. Corporate name proposals containing official marks were considered in light of the factors listed in Regulation 20 in order to determine whether a proposed corporate name containing the official mark was likely to cause confusion.

Although the *Trade-marks Act* seems to give special protection to these official marks published under section 9 of the *Trade-marks Act*, a legal opinion requested from the Department of Justice informed us that the regulations under the CBCA did not give the Director the authority to refuse a name resembling an official mark in sound, appearance and idea, whether it was likely to cause confusion or not. As a result, the Director proposed to amend the Policy to state that **the Director does not have any authority to reject corporate names which include an official mark**. However, the Director would inform the client that, **while the name might not be prohibited by the CBCA, its use might be prohibited by virtue of section 9 of the TMA**.

Two respondents to the consultation material did not agree with this Policy amendment. One suggested we continue to reject the names

containing official marks where possible, or that we ask the client for an undertaking that he or she is willing to assume all risks associated with using the name.

The Director has no authority to pursue either option presented by these respondents. The corporate name regulations clearly do not refer to official marks, nor do they give the Director authority to accept a corporate name conditional on the undertaking of a client to assume all risks associated with the use of an official mark. The Director has amended the Name Policy as proposed, and will consider the possibility of amending the name regulations to make their treatment of official marks more consistent with the *Trade-marks Act*.

3. Microfiche Supplement: NUANS report for names with more than one distinctive element

The Name Policy did not deal with the procedures followed by Name Officers **when a proposed corporate name contains more than one distinctive element**. When a review of the NUANS search report shows virtually no names containing one of the distinctive elements, indicating that the search has not keyed on that word, the Corporations Directorate reviews the NUANS microfiche to ensure that there is not a conflicting name or trade-mark which has not appeared on the NUANS report. In these cases, the applicant is asked to accept the risk that the microfiche search alone may not reveal a name that a NUANS report would otherwise have revealed *since NUANS report operates on the basis of phonetic similarity and a microfiche search would miss phonetically similar names*.

The majority of respondents were in favour of adding an explanation to this effect in the Policy. Some respondents suggested, however, that we require two NUANS search reports where the proposed corporate name includes two distinctive elements. Others indicated that NUANS is capable of performing a search on both distinctive elements when two distinctive elements are present in a name.

Although we agree with the comment that a NUANS search will normally reveal existing names similar to both of the distinctive terms, there are rare cases where the NUANS search does not seem to key in on both terms. **Rather than put the applicant to the expense of ordering separate NUANS searches on each distinctive element, Name Officers use the NUANS microfiche to perform a manual search of the distinctive element that is not reflected in the report.** It is the intention of the Directorate to continue this practice. An explanation of this procedure has been added to the Policy in order to inform clients of the possibility that a name may be rejected where a supplemental microfiche search, if necessary, on a second distinctive element reveals names that are considered to be likely to cause confusion.

4 Voice Information System

The Corporations Directorate proposed to **add a paragraph in the Name Policy referring clients to the Voice Information System. The Voice Information System provides answers to questions frequently asked and is available to clients 24 hours a day.**

All respondents were in favour of this addition to the Policy, and no further comment was received from the general public on the use of the system. Consequently, the addition to the Policy has been made as proposed.

In addition to this, the Directorate consulted the general public on the use of the Voice Information System in order to make it more user friendly. There were insufficient responses to our questions on the voice information system to warrant our changing this system.

5 Need for NUANS Search on Continuance/Amalgamation:

Clients submitting one or more articles of continuance at the same time as articles of amalgamation do not want to go to the time and expense of a NUANS search report for the continuance applications where these continued corporations are immediately being amalgamated and continued under a different name. The Director has agreed that **it is not necessary in these circumstances to submit a NUANS search report** as there will be no use of the continued corporation's name and therefore no likelihood of confusion.

Similar requests have been made by clients submitting continuance applications where the continued corporations exist for only a very short time before they are amalgamated. In these cases, the Director has asked for a NUANS microfiche search and an undertaking from the continuing company that it will not carry on business before the amalgamation. The Director has also required that the corporation undertake to file a NUANS search immediately on determining that the amalgamation will not go through as planned, and amend its name if the Director feels it is necessary.

The Name Policy has been amended to include these situations which were not addressed in the former Name Policy, with the additional requirement that the corporation submit an undertaking that it will not consent to another entity using its continued name unless that name has been determined to be not confusing by the Director.

All respondents were in favour of this addition to the Name Policy.

C. THE CORPORATE NAME INFORMATION FORM

Since the winter of 1996-97, the Director has suggested to Directorate clients to use the Corporate Name Information Form to ensure that, in making a name request, they are providing all the necessary information to enable Directorate staff to make a name decision more quickly, with fewer rejections. While the form is used increasingly, it is still not used in large numbers.

Through the consultations, clients have clearly indicated that the former version of the Corporate Name Information Form was too long and too complicated to complete and send on every name approval request. The main users of the Corporations Directorate's name approval services have indicated however, that the form is being used in training of new staff, and as a guide when advising clients.

We have revised the form to make it more inviting for clients to submit it with every application for name approval. It has been reduced to 3 pages and will contain the most important and relevant information required on most name decisions. The Directorate will continue to proactively promote use of the form, which we believe to be the client's best tool for reducing the likelihood of a rejection.

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