

Top Ten Things for Trademark Owners to Know about Canada's New *Combating Counterfeit Products Act*

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On March 1, 2013, Canada's Parliament gave first reading to Bill C-56 (the "Bill"), entitled the *Combating Counterfeit Products Act* (the "CCPA"), intended to give trademark and copyright owners additional options for dealing with the importation and sale of counterfeit goods. Additionally, the Bill is intended to update the *Trade-marks Act* in a number of important respects. Those with an interest in both prevention of importation and sale of counterfeits, as well as the procedures for obtaining and maintaining trademarks, should note particularly what the Bill does, and does not do.

1. While the Bill amends the Trade-marks Act to provide a method for requesting Customs assistance to deter importation and distribution of trademarked counterfeits, only owners of registered trademarks may apply.

Under the CCPA, the owner of a copyright and/or a *registered* trademark that is considered by the rights owner to be infringed by the importation and sale of counterfeits is given access to an "assistance" procedure, whereby goods are detained by customs officials for a short period of time. During this period, the owner may receive a sample of goods, and request information to assist in identifying the owner/source of the allegedly counterfeit goods. Customs officers have only limited ability to detain goods – up to ten days generally, after which goods will remain in detention only if the rights owner commences a civil action.

2. IP owners will bear the costs of detention and destruction of any goods seized by Customs authorities pursuant to a request for assistance.

The intent of the Bill is to be revenue-neutral to the Government. All costs associated with handling, storage, and destruction of any detained goods will be borne by the IP owner. Further, the Bill provides that neither the Crown nor any customs officer shall be liable for any damage or loss arising from detention or release of detained goods.

3. The Bill provides for significant criminal sanctions for counterfeiting of a registered mark (but only if the police will prosecute).

The CCPA adds criminal offence provisions, intended to be applied against manufacture, import or export, sale or distribution "on a commercial scale" of goods, packages and labels, and advertisement of services knowing that they are identical or "cannot be distinguished in its essential elements" from a registered mark. Conviction will expose offenders to fines of up to \$1,000,000 and imprisonment of five years. It is unclear whether the sanctions provided by the Bill can effectively be implemented without at the same time strengthening the ability of the police to enforce the Bill's provisions.

4. The Bill exempts certain actions from criminal sanctions, including importation of parallel imports, goods for personal use, and goods in shipment through Canada.

The CCPA provides for several exceptions to criminal prohibitions against the import/export of goods that bear the registered trademark. Specifically, goods bearing a mark applied with the owner's consent "in the country where it was applied" are not "prohibited goods." Neither are goods that are imported/exported by an individual "in their possession or baggage" where the number of goods indicates that the use is personal only, or goods in transit through Canada. The parallel import exception follows the prevailing line of Canadian decisions that the sale of goods in Canada that originate with the trademark owner are not *per se* unlawful, despite the granting of exclusive Canadian rights to others. No exceptions have been added to infringement/passing off sanctions, so these restrictions do not appear to limit civil actions.

5. The Bill offers courts more discretion in sentencing for civil infringement actions, but does not provide for statutory damages.

The CCPA confirms that, in addition to damages or profits, a Court may order punitive damages and destruction of not only goods, but also equipment used to make offending goods and packages/labels/advertising material. What the Bill does *not* provide for is statutory damages for trademark infringement. It is expensive, time-consuming, and difficult to prove damages in both infringement and counterfeiting cases (even assuming the infringer can or will pay).

6. Since registration is a condition precedent to requests for "assistance" from customs officers, trademark owners should review their portfolios to ensure that steps are being taken to arm themselves with registrations, as soon as possible, to combat counterfeiting.

It is important to assemble a portfolio of IP rights to use in support of Customs requests and to supplement that portfolio where necessary especially by registering all marks that are potential counterfeit targets.

7. The Bill offers the possibility of registration of new "signs" with proof of acquired distinctiveness in Canada. How easy will that be?

The CCPA uses the internationally-recognized word "signs" to refer to protectable subject matter. Protectable signs now include (and are not limited to) colour, three-dimensional shapes, holograms, moving images, a mode of packaging goods, scent, taste, and texture. The CCPA provides that applicants for non-traditional marks may be required to file evidence showing that the mark is distinctive at the filing date, and the registration may be limited to the goods, services, and territorial area where the mark is shown to be distinctive. The filing of such evidence conceivably can be avoided if the Registrar is persuaded that the sign is inherently distinctive. It remains to be seen whether these changes will actually result in easier registration of packaging, shapes of wares and other new signs.

8. The Registrar will be able to refuse applications because they are non-distinctive or dictated primarily by a utilitarian function.

Up to now, the Registrar could refuse an application on specific listed grounds that did not include lack of distinctiveness. As a result, the Registrar relied on other grounds such as descriptiveness when in reality the objection was non-distinctiveness in disguise. In addition, shapes of wares and modes of packaging were registrable as "distinguishing guises", but only if they were not "unreasonably likely to limit the development of any art or industry." The CCPA permits the Registrar to refuse applications if their "features" are dictated primarily by a utilitarian function even if the sign appears to be inherently distinctive or if acquired distinctiveness can be proved. It remains to be seen whether the CCPA will make it any easier for an applicant to register such signs.

9. The Bill proposes simplifications to filing procedure, but fails to address many ambiguities.

The CCPA addresses several commonly mentioned irritants, including getting rid of "associated marks" that complicate partial assignment of marks deemed to be "associated", and permitting "division" of applications to permit them to proceed to registration for some goods/services, while leaving others pending. However, there are many issues that the Bill does not address, such as:

- eliminating "official marks" protection, which creates a two-tiered system with enhanced rights owners who can show they are "public authorities";
- clarifying various relevant dates that apply particularly to foreign trademark owners; and
- providing that consent will suffice to overcome a confusion objection.

10. The Bill opens the way for changes to opposition procedure.

Canadian opposition procedures are lengthy, technical, and expensive. The CCPA contains provisions intended to simplify and speed up the procedure. For example, applicants can file a simple statement of intent to respond to an opposition, instead of a counterstatement addressing all grounds of opposition. The CCPA anticipates simpler

exchange of evidence and submissions between the parties, and clarifies that the Registrar may refuse an application for all or some of the goods/services. What is missing is simplified opposition filing grounds. The current situation offers the potential for both highly technical oppositions, and the risk that opponents may lose an opposition for erratic and inconsistent pleading issues.

What to watch for?

The provisions of the CCPA are seen by many to be noncontroversial, and the CCPA appears likely to be passed essentially "as is." The current government is also negotiating trade agreements that will put more pressure on Canada to adhere to international agreements such as the Singapore Treaty and the Madrid Protocol. More fundamental discussions about trademark protection, goods/services classification, fees per class, filing grounds, and registrability challenges are yet to come.

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