

Trademarks and Patents Canada

Bereskin & Parr
INTELLECTUAL PROPERTY LAW



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Continuing with our focus on Trademarks and Patents, we take a look from a Canadian perspective. To this end, we have an exclusive insight from Cynthia Rowden from Bereskin & Parr LLP in Toronto. Here, Cynthia looks at the developments in Canada and the proposed changes to the Copyright and Trademarks Acts to address counterfeiting.

The most important news in Canadian trademark law is the recent introduction, in March 2013, of Bill C-56, the Combatting Counterfeit Products Act, which amends Canada's Copyright Act and Trade-marks Act to add new provisions to address counterfeiting concerns.

Both the Trade-marks Act and the Copyright Act will be amended to add criminal sanctions for infringement, with fines of up to \$1,000,000 and imprisonment of up to five years. Currently, criminal counterfeiting investigations are handled by the Royal Canadian Mounted Police, and limited resources have meant that attention is focused on cases involving organized crime, or health and safety concerns. The government has not announced that more resources will be directed to criminal investigations, but it is hoped that the threat of higher penalties may help to deter counterfeit goods.

The Copyright Act already includes statutory damage provisions that can be used in civil actions. The Bill did not add these to the Trade-marks Act.

Canada does not now have any defined border control for counterfeits, or any mechanism for IP registration with Customs

authorities, a source of some irritation in trade negotiations between Canada and other major trading partners. The new Bill introduces prohibitions on importation and exportation of counterfeit goods, as well as a form of "assistance", whereby copyright and registered trademark owners may request assistance, after providing full details of copyright or registered trademark rights. The request will be in place for two years, and can be renewed, but the cost of doing so has not yet been determined. Security for costs associated with storage of any detained goods may also be required. If copyrighted works, or products marked with a registered mark are detained, customs may provide samples or other information to IP owners, who then have up to 10 days to commence civil action against the importer/exporter or other source of the goods.

The Bill excepts from liability merchandise imported or exported in person or in baggage intended only for personal use, and also merchandise that is being shipped from one location outside Canada to another outside of Canada. Also implicitly excepted are grey goods. It is not clear that the Bill intends to prevent common law action against grey goods outside of the arena of ordinary counterfeiting remedies.

It should be noted that there are no explicit

search and seizure rights being given to Customs authorities under this bill, and that the onus of paying for any goods detained under the Act will be with IP owners. In addition, goods will remain in detention only if IP owners commence litigation. The government intends the legislation to be revenue-neutral for taxpayers, and enforcement onus clearly rests with IP owners.

Other Proposed Amendments

In addition to adding counterfeiting remedies to the Act, Bill C-56 also introduces both minor and significant changes to trademark registration, all mostly non-controversial, that should facilitate registration, and permit protection for more non-traditional marks. Adopting more European lingo, "marks" are now "signs". New non-traditional marks are contemplated, such as colours, taste, texture, moving images and holograms. Sounds and 3-dimensional shapes, both of which were already accepted, are also now found in the definition of signs. The Registrar will be able to refuse marks for lack of distinctiveness, and require evidence of distinctiveness at the filing date for most non-traditional marks. The ability to divide pending applications, so that some goods/services may now proceed to registration, whereas others remain pending until a declaration of use is filed, is added, and the

concept of "associated marks", which has been used to limit assignments/changes of name to similar marks unless all are changed, will be repealed.

Bill C-56, if passed, will bring new remedies for counterfeiting, new border controls, and offer trademark owners more opportunities to register non-traditional marks.

The Bill anticipates new changes to opposition practice, designed to speed up filing of evidence and arguments, which will be further clarified when an accompanying regulations package is also introduced.

With the current majority government in Canada, the Bill is unlikely to encounter significant objections, and passage of the amendments, largely in the format set out in the Bill, is fairly certain.

Changes yet to come

Canada is not yet a member of the Madrid Protocol. The Bill does not make changes that would likely be required to effectively introduce the Madrid Protocol (e.g., provisions for classification and changes

to renewal terms (now 15 years). Nor does the Bill take any steps to cure other irritants, e.g., the sweeping rights granted to official marks adopted by public authorities, or fix ambiguities regarding relevant dates that apply in trade mark prosecution.

Challenges to Filing Grounds

Canadian trademark applications must identify specific filing grounds, and failure to select the grounds carefully can result in successful challenges to applications by opposition, or even possibly later validity attacks. As a result, it is important to get the filing grounds right. Several recent trademark cases have resulted in interesting debates on issues relating to proper filing grounds. For example, the trial decision in *Thymes vs. Reitman*, decided in early February 2013, found that for a proper claim to use and application/registration abroad, there had to be (1) use by the applicant before the Canadian filing date and (2) such use had to be in the applicant's country of origin. Both findings were surprising, and will impact foreign applicants for Canadian trademark registration. The decision has been appealed.

Proving "Use" in the Internet Age

A series of decisions from both the Courts and the Opposition Board have grappled with the appropriate evidence of "use", either to support a trade mark application, or to maintain a registration in the face of a non-use cancellation proceeding, when marks are displayed online from sites that originate outside of Canada. Marks registered for retail store services, hotel services or computer repair services have all recently been considered. For example, if there is no "bricks & mortar" store in Canada, can a registrant maintain a registration for a mark covering retail store services when the only use is an online store, based on a retail operation located outside of Canada? If the only access Canadian consumers have to a hotel in Canada is through an online reservation service for hotels outside of

Canada, is that use in Canada for hotel services? The most recent Opposition Board decisions have answered "no" to both – finding that retail store services involves being able to "shop", meaning both buy and return wares, and that hotel services require a bricks and mortar presence. If the only presence is online, the key appears to be to show that there is a strong level of interactivity between Canadians and the website, proved by factors such as Canadian pricing, Canadian shipping details, and steps that appear to target Canadians specifically.

What to watch for in 2013

As noted above, Bill C-56, if passed, will bring new remedies for counterfeiting, new border controls, and offer trademark owners more opportunities to register non-traditional marks. It is hoped that appeal decisions will clarify filing grounds, as well as offer more clarification on "use" in Canada. **LM**

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