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Bill C-56: Under discussion

The Canadian Government plans to offer more options to rights holders to challenge counterfeiting. Cynthia Rowden and Christina Capone Settimi summarize the changes.

On March 1, 2013, the Canadian government introduced Bill C-56, the *Combating Counterfeit Products Act (CCPA)*. The Bill proposes a number of amendments aimed at providing trademark and copyright owners with new options to challenge counterfeits through the introduction of enhanced border enforcement measures, along with new criminal and civil remedies. In addition to the anti-counterfeiting measures, the Bill also proposes a number of significant amendments to the *Trade-marks Act*, including protection of more non-traditional marks such as smells, colors, taste and texture, and simplified filing procedures. The Bill is likely to move fairly quickly through Parliament, and there is optimism that many of the changes may be implemented in the near future.

Trademark owners, and especially those with valuable assets that are now subject to counterfeit, should prepare themselves to take advantage of the proposed system for requesting assistance from customs officials. In particular, trademark owners should be aware that the Bill provides for customs assistance to deal with trademarked counterfeits only in the case of registered trademarks. Owners should review their trademark portfolios to ensure that they have registrations in place to take advantage of the new regime.

Further, customs assistance will be offered only following

a specific request, the details and cost of which are not yet known. Finally, while Customs assistance may help with notice of importation of counterfeits, and Customs officials may help with seizure of possible counterfeits, generally the onus will be on owners to pursue civil action for infringement, and bear all costs of seizure pending the outcome of the civil action.

The following sets out some of the highlights of the Bill.

Anti-counterfeiting measures

New criminal offences for copyright and trademark infringement: Bill C-56 expands the criminal provisions of the *Copyright Act* and introduces new criminal offences for the possession of infringing works for the purposes of sale, rental and/or distribution for the purpose of trade or exhibition in public by way of trade, as well as the actual or attempted export of infringing works for the purposes of sale or rental. The *Trade-marks Act* will be amended to add new criminal offences, including prohibitions against: (i) the sale and/or distribution of counterfeit trademarked goods on a commercial scale; (ii) the manufacture, possession, importation or exportation of counterfeit trademarked goods (or their packaging and labels) for the purposes of sale or distribution on a commercial scale; and (iii) the unauthorized sale or advertisement of services in association with a third party mark. As drafted, these prohibitions apply only to registered marks. The criminal sanctions do not apply to unregistered common law marks and names.

Proposed sanctions for the violation of the new criminal offences are substantial, with fines of up to \$1 million and/or imprisonment of a term up to five years for conviction on indictment and \$25,000 and/or imprisonment for up to 6 months on a summary conviction. Up to now, Canada's Royal Canadian Mounted Police have largely been responsible for investigations of counterfeiting, and limitations on their resources have meant that attention has been given to counterfeits with health and safety risks, or possible connections to organized crime. With tougher sanctions available, it is hoped that the threat of criminal fines and imprisonment will act as a deterrent.

New civil remedies for IP owners: Bill C-56 proposes to enhance civil causes of action, enabling copyright and

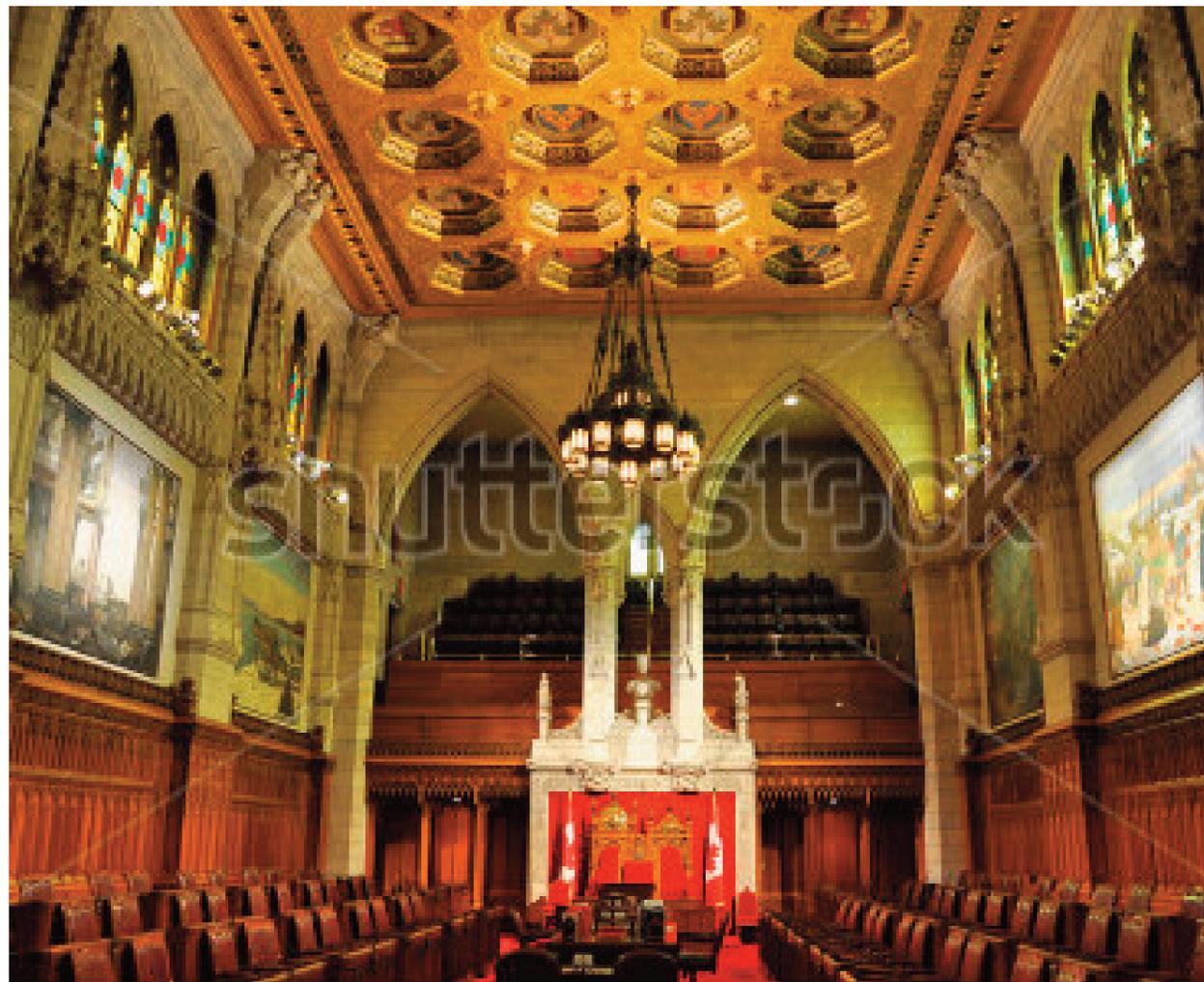
Résumés

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trademark owners to seek civil remedies for the manufacture, sale or distribution of copyrighted works and counterfeit trademarked goods and their packaging and labeling. In addition, Bill C-56 clarifies the relief available on a finding of infringement, confirming that the Court may make an award of punitive damages and an order for the destruction of both infringing goods, packaging, labels and the equipment used to produce them. Currently, punitive damages are rarely granted, and this statutory amendment may encourage a tougher approach from the Courts. Missing from the Bill is any provision for statutory damages for trademark infringement. Those would be welcome, given the difficulty and cost of proving actual damages in regular and counterfeiting situations.

Importation and exportation of counterfeit goods: Bill C-56 amends the *Trade-marks Act* to prohibit the unauthorized importation and exportation of goods (or their packaging and labeling) bearing a trademark that is “identical to, or... cannot be distinguished in its essential aspects from” a registered trademark. Bill C-56 does provide a number of exceptions to this general prohibition, including, *inter alia*, in circumstances where: (i) the trademark “was applied with the consent of the owner of the trademark in the country where it was applied” (as in the case of grey market goods, for example); (ii) the sale or distribution of the goods (and/or their packaging or labeling) is not contrary to the *Trade-marks Act*; (iii) the goods being imported or exported are intended for personal use; and (iv) the goods or works are in customs transit control or customs transshipment control in Canada. The personal use exception should focus attention on counterfeiters, per se, rather than incidental or minor infringements.

The exception for grey goods importation, as drafted, may be open to interpretation in its impact on all grey goods, and there may be further clarification as the Bill is debated in Parliament.

Request for Assistance: As a consequence of the express prohibitions against importation and exportation of counterfeit goods outlined above, Canadian customs officers will be granted expanded powers of search, seizure and detention under Section 101 of the *Customs Act*. Further, Bill C-56 seeks to introduce a new procedure by which a copyright owner or registered trademark owner can submit a “request for assistance” with the Ministry of Public Safety, pursuant to which customs officers will be permitted to temporarily detain commercial shipments containing counterfeit goods for a maximum period of 10 working days, depending on the nature of the goods, or, until the disposition, settlement or abandonment of any court proceedings relating to the detained goods in circumstances where court proceedings have been initiated with respect to the goods. Border officers will also have the ability to provide copyright and registered trademark owners with samples of the detained goods for inspection, as well as other identifying information about the goods, which could, in turn, assist the owner in a potential action for copyright or trademark infringement.

Under this proposed system, the cost of warehousing and ultimate destruction of the detained goods would be borne by the IP rights owner. The details of how such warehousing and destruction will be handled have yet to be confirmed, and will be of particular importance to copyright and trademark owners, since the difference between “bonded” or other secure storage costs can be considerable.

Broader amendments to the Trade-marks Act

Bill C-56 also introduces a number of welcome amendments to the *Trade-marks Act* that expand the scope of registrability, as well as addressing a number of procedural issues in the current regime.

Trademark scope: Bill C-56 will amend the definition of “trade-mark” under the *Trade-marks Act* – currently limited to “marks” and “distinguishing guises” – to include “signs”. A “sign”, in turn, is defined as including “a word, a personal name, a design, a letter, a numeral, a color, a figurative element, a three dimensional shape, a hologram, a moving image, a methods of packaging, a sound, a scent, a taste, a texture and a positioning of a sign”.

Bill C-56 will also limit the registration of trademarks whose features are “primarily” utilitarian in nature, or trademarks which lack distinctiveness at the time of filing. The Registrar will be permitted to request any evidence required to establish distinctiveness at the time of filing, as well as to expressly refuse a trademark application on the basis of non-distinctiveness. Left for further discussion is the detail that will be required to secure registration of the new non-traditional trademarks.

Associated marks: Under the current regime, associated marks – that is, two or more confusingly similar marks registered by the same owner – cannot be assigned or transferred in such a way that one or more of the associated marks would be placed in the hands of separate owners. The Bill deletes any reference to the Registrar’s obligation to ensure that any assignment or transfer relating to associated marks be made to the group as a whole, which suggests that assignments or transfers of associated marks in part will no longer be prohibited.

Certification marks: Bill C-56 will amend the *Trade-marks Act* to permit an applicant to file for a proposed certification mark, rather than having to wait to register until the mark is in use, as is the current practice.

Priority claims: Bill C-56 clarifies that a priority filing may be based on an application filed “in any country of the Union”, and not only the applicant’s own country of origin, as is now the case. In addition, the proposed amendments provide for a one-week extension or “grace” period to the current six-month priority filing date prescribed by the *Trade-marks Act*.

Divisional applications: Bill C-56 will also amend the *Trade-marks Act* to allow for the ability to divide and sub-divide trademark applications, as well as the re-merger of such divisional applications after registration has taken place. Each divisional application will be deemed to have the filing date of the original application, and the Registrar will be granted the power to develop regulations and determine the date of registration and renewal for such re-merged applications. This will avoid a common problem for applicants, who, currently, must either keep applications filed on the basis of proposed use pending until all goods/services are in use in Canada, or else delete certain goods/services.

Changes to opposition practice: Bill C-56 proposes a number of small changes to current trademarks opposition practice – a move that may signal additional changes to come. Namely, the Trade-marks Opposition Board will be able to strike all or part of a statement of opposition (clarifying an interlocutory complaint procedure now in place), permits the counterstatement to only state that the applicant intends to respond to the opposition, and anticipates changes to the timing of evidence and argument, as well as the method of filing such documents, by referring. A regulatory amendment that would have provided other changes to opposition practice is now likely to be delayed, and will be re-introduced with other changes arising from the Bill.

Error correction: Bill C-56 permits the Registrar the ability to correct errors relating to trademark registrations that are “obvious

from the documents relating to the registered trademark in question that are, at the time the entry is made, on file in the Registrar’s office”, provided that such correction is made within six months of the registration. In addition, section 48 of the *Trade-marks Act* would be amended to allow the Registrar to “remove the registration of a transfer of a registered trademark on being furnished with evidence satisfactory to him or her that the transfer should not have been registered”.

Destruction of documents: Presumably to deal with space constraints and ongoing deterioration of old records, Bill C-56 permits the Registrar to destroy certain files and documents. It is not uncommon for such documents to be useful in Trade-marks Office correspondence, oppositions and litigation, so it is hoped that the Office will confirm that documents scheduled for destruction will still be available electronically in the future.

Conclusion

A number of the amendments proposed by Bill C-56 offer new weapons to challenge counterfeit goods, but confirm that the onus will remain on trademark owners to protect their rights. Other amendments simplify filing procedures, and will be welcomed by trademark owners and practitioners alike. However, many ambiguities remain and, in particular, further discussion will be required relating to the scope of protection for non-traditional trademarks. Further, the Bill does not introduce many changes that would be required should Canada adhere to the *Madrid Protocol*. Whether and how Bill C-56 will be amended to address public and stakeholder concerns remains to be seen.