

CANADA Five Proposals to Watch in Anticounterfeiting Legislation

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On March 1, 2013, Canada's Parliament gave first reading to Bill C-56, entitled the Combating Counterfeit Products Act (CCPA), which is intended to give trademark and copyright owners additional options for dealing with the importation and sale of counterfeit goods. The Bill is also intended to update the Trade-marks Act, which will be discussed in a future *INTA Bulletin* article.

Those with an interest in preventing the importation and sale of counterfeits and understanding the procedures for obtaining and maintaining trademarks should pay careful attention to the following aspects of the Bill:

1. While the Bill amends the Trade-marks Act to provide a method for requesting Customs' assistance in deterring importation and distribution of trademarked counterfeits, only owners of registered trademarks may apply. Since registration is a condition precedent to requests for assistance from Customs officers, trademark owners should review their portfolios as soon as possible to ensure that they are taking steps to arm themselves with registrations, especially for potential targets of counterfeiting.

Under the CCPA, the owner of a copyright and/or a registered trademark that the rights owner considers 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—generally up to ten days; after that time, goods will remain in detention only if the rights owner commences a civil action.

2. IP owners will bear the costs of handling, storage and destruction of any goods seized by Customs authorities pursuant to a request for assistance. Further, the Bill provides that neither the Crown nor any Customs officer shall be liable for any damage or loss arising from the detention or release of detained goods.
3. The CCPA provides significant criminal sanctions for counterfeiting of a registered mark. It adds criminal offense provisions, intended to be applied against the manufacture, import or export, sale or distribution, "on a commercial scale," of goods, packages and labels, and advertisement of services, that are identical to or that "cannot be distinguished in its essential elements" from a registered mark. Conviction will expose offenders to fines of up to CDN 1 million and imprisonment of up to five years. It is unclear whether these sanctions 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.

Specifically, goods bearing a mark applied with the owner's consent "in the country where it was applied" are not "prohibited goods" for criminal sanction. Neither are goods that are imported/exported by individuals "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 exemption follows the prevailing line of Canadian decisions holding that the sale of goods in Canada that originate with the trademark owner is not *per se* unlawful, despite the granting of exclusive Canadian rights to others. Of note, these exemptions have not been added to the existing infringement/passing off civil regime, so these exemptions should not limit civil actions.

5. The Bill offers courts more discretion in sentencing for civil infringement actions, but it does not provide for statutory damages. The CCPA confirms that, in addition to damages or profits, a court may order punitive damages and destruction not only of goods but also of equipment used to make offending goods and packages/labels/advertising material.

What the Bill does not provide for is statutory damages for trademark infringement. However, the Canadian Federal Court has applied a judge-made minimum compensatory damages scale in circumstances where it is difficult to prove actual damages or profits arising from a lack of documentation regarding sales.