



Canada's Counterfeit Border Protection Measures - A Status Report

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Canada's new customs "Request for Assistance" program has now been in place since January 1, 2015, giving IP owners a peek into the effectiveness of the system and possible costs.

The new procedure, set out in Bill C-8, the *Combating Counterfeit Products Act*, was part of a major overhaul of Canadian trademark and copyright legislation, only some of which is now in force, specifically those sections that enhance infringement remedies and also permit IP rights holders to obtain more focused assistance in combating counterfeit products at the border. IP rights holders, namely registered trademark owners and copyright owners, may now request assistance from the Canada Border Services Agency (CBSA) by filing a Request for Assistance ("RFA") form listing their rights, with information to permit customs officers and inspectors to more easily identify and detain suspected counterfeits at the border before they are distributed in general channels of trade. Many rights owners originally hesitated to record their IP rights, due to uncertainty related to initial detention periods and notifications, confidentiality, fees and costs, and whether there would be an opportunity to train the CBSA respecting issues unique to them. While the CBSA maintains that information on RFAs will be confidential, and has sparingly released information about the use of the system to date, we can provide the following update.

Overview of the Regime

The statutory provisions are found in both the *Trade-marks Act* and *Copyright Act*. Owners of Canadian trademark registrations and copyrights now have new options for addressing counterfeit goods or pirated works, starting with recordal of their intellectual property rights with CBSA. Under the program, the CBSA has the ability to detain suspect counterfeit goods or pirated works that are the subject of a recordal for a short period of time, and to exchange information about the detained items with the IP rights holder, who may then commence court action against the importer or source of the goods, including for damages and destruction of the counterfeit/pirated goods. Goods will remain in detention once court proceedings are commenced.

The RFA regime is intended to capture commercial counterfeits entering (and leaving) the flow of commerce in Canada. As such, it does not extend to parallel imports (grey goods), in-transit goods (i.e. those merely passing through Canada between two destinations), or goods imported or exported in personal baggage and that appear to be for personal use.

Requesting Assistance

The RFA form is available at the CBSA website, [here](#). While originally there was some suggestion that including a single trademark per form might be more effective, in fact, many of the RFAs filed to date include multiple marks. Acceptance of the RFAs has been very quick—but has been followed by requests from CBSA for additional information to more easily assist in identification of counterfeits. Assistance is provided for up to two years, but the RFA must be renewed at least 40 days before the expiry of the two-year term.

Initial Detention Period and Notice Update

Under the new *Trade-marks Act* and *Copyright Act* provisions, the CBSA has the authority to detain suspect counterfeit goods for up to 10 days (5 days in the case of perishable goods). At the end of this initial detention period, the statutes provide that the goods will remain in detention only if the IP rights holder commences a court action (and provides notice of such action to the Minister). It was originally understood that detention during the initial period would be at no cost to IP rights holders, but that once court action was commenced, the owner would bear continued detention costs. Currently, the CBSA's policy regarding initial detention periods appears to be somewhat different. CBSA has advised that they will detain suspect counterfeit goods for an initial 3-day period at no cost to the IP rights holder. During this initial period, the border officer has the discretion to provide the IP rights holder with information to assist with identification of the goods as counterfeit. Typically information about what the goods are, the quantity of the import, and photographs of the goods has been provided. By the end of this 3-day initial detention, the IP rights holder must indicate to the CBSA whether it is interested in pursuing action against the importer. If the rights holder is not interested, or if the CBSA receives no answer from the rights holder, the goods will be released.

Should the IP rights holder indicate it is interested in pursuing action, the CBSA will issue a formal Notice of Detention (called the "Rights Holder's Notice of Detention for Goods Suspected for Contravening IPR"), which includes identifying information about the importer, and will continue to hold the goods for the statutorily provided 10 day period (5 days for perishable goods). The CBSA has taken the position that it is from this point forward that the IP rights holder will be responsible for costs incurred in detaining the goods.

At this point, the rights holder may engage in settlement discussions with the importer, commence a court action and notify the relevant Minister and CBSA, or decide to have the goods released. However, if the IP rights holder fails to communicate with the CBSA at the expiry of the detention period, the goods will be released.

Although not required by statute, the CBSA is taking the position that if settlement negotiations are ongoing but have not concluded by the end of the detention period, or the importer has failed to respond to requests to discuss potential settlement, the IP rights holder may submit a request to extend the detention for one further 10 day period, along with proof of the ongoing settlement discussions and/or attempts to contact the importer. However, any extensions are at the discretion of the CBSA. In the event settlement is reached, the CBSA will release the goods to the importer, and it is the responsibility of the parties to enforce the settlement agreement. If there is no settlement agreement by the expiry of this additional detention period, the IP rights holder must commence court action and provide proof of such action to the relevant Minister/CBSA to continue the detention.

In total, the CBSA has acknowledged that it may be possible for a rights holder to have the goods detained for up to a maximum of **23 days** without commencing a court action.

Tight Timelines Require Clear Procedures for Response

Since the IP rights owner has only three days to consider the initial source of seizure, any IP owner who files a RFA should have established procedures for quickly reviewing the goods, and deciding whether to settle, commence litigation, or take no action. RFA forms include contact information, which should be kept up to date.

Likelihood of Detention

The CBSA has informally suggested that it is unlikely that small quantities of goods will be detained. Some IP rights owners had expressed concern about the costs and administrative inconvenience of detention of small quantities of goods, but it appears that the CBSA focus is on large shipments at this time.

Have Goods Been Detained?

While information on detentions are not publicized, reliable reports suggest that some detentions have occurred. One interesting point is that it is not certain that IP rights owners who have not filed an RFA will be notified, even if a shipment included goods suspected of being counterfeits of owners who have requested assistance.

Fees Update

There is, at this time, no fee for requesting assistance. However, the regime was intended to shift detention costs to IP rights holders

if they wanted goods to remain in custody while either settlement talks took place, or litigation was commenced. The statutes provide that the IP rights holder is responsible for storage, handling, and destruction charges incurred by “Her Majesty in right of Canada” (i.e. the CBSA or another government agency), beginning the day after the date on which the rights holder is first sent information about the detained goods by the CBSA. As discussed above, the CBSA has taken the position that it will not charge IP rights holders for the costs associated with the initial three day detention period, but that the rights holder will be responsible for storage/detention/destruction costs once that three day period has expired or the Notice has been provided.

Actual costs of detention will vary from case to case, and depend on the volume and nature of the goods detained. The CBSA will initially store detained goods in “sufferance warehouses”, which are privately owned and operated businesses licensed by the CBSA for the control, short-term storage, transfer, delivery, and examination of in-bound goods until the goods are released by the CBSA or exported from Canada. Sufferance warehouses set their own storage rates, and may also charge for use of the warehouse and any labour based on the size and weight of the shipment, which makes it difficult to calculate an average daily cost. However, we understand that for a shipment of shirts, storage costs can be upwards of \$100 CAD per day. Owners may arrange for other storage at lower cost, with leave.

CBSA Training Update

Many brand owners face unique challenges respecting counterfeit products, and we are pleased to say that the CBSA appears alert to such individual needs. Although not currently engaging in training directly provided by rights holders, the CBSA has already requested information from IP rights owners who have filed RFAs, asking for specific information that can be used when training CBSA Border Services Officers, and to develop training documents. For example, information that could help more easily identify counterfeits such as the following may be helpful:

- A list of indicators of authentic products, for example, the placement/presence of holograms, engravings, composite materials, etc.;
- Photographs of authentic products, specifically of the indicators of authenticity;
- A list of known indicators of counterfeit products, for example, wrong materials, missing engravings, etc.;
- Photographs of the counterfeit products, specifically of the counterfeit indicators.

Clearly IP rights owners will want assurance that such information will remain confidential, and would be used for internal purposes only, which the CBSA has confirmed.

For more information on the RFA Process and IP owner rights in the event of counterfeit activities, please contact:

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