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# Stepping up at the border

The Canadian government is stepping up efforts to halt infringing goods at the border

In recent years Canada has faced increasing pressure to take firmer action against those who traffic in counterfeit goods and, thereby, to ameliorate Canada's reputation as a weak enforcer in cases of blatant infringement of copyright and trademark rights. According to data released by the Royal Canadian Mounted Police, the total retail value of seizures of infringing goods increased from approximately C\$7.7 million in 2005 to C\$67.5 million in 2011. The number fell again in 2012 to C\$38.1 million; however, this drop was attributed to federal resources being moved to other priority cases, which suggests that the amount of money being made from the sale of counterfeit goods within the country is much higher. The types of commodity that have been seized include apparel and footwear, copyrighted works, consumer electronics, personal care products, pharmaceuticals, toys and electrical products. As is often noted in regard to this issue, the trade of these counterfeit commodities not only harms commercial interests, but also presents certain health and safety risks.

In its 2009 Special 301 Report, the Office of the US Trade Representative (USTR) placed Canada on its priority watch list of countries with particularly poor IP rights enforcement (along with Algeria, Argentina, Chile, China, India, Indonesia, Israel, Pakistan, Russia, Thailand, Ukraine and Venezuela), where it remained until 2012. According to the report: "Canada remains on the Priority Watch List in 2012, subject to review if Canada enacts long-awaited copyright legislation... The United States also continues to urge Canada to strengthen its border enforcement efforts, including by providing customs officials with *ex officio* authority to take action against the importation, exportation, and transshipment of pirated or counterfeit goods."

Canada's increasingly accepted reputation as a region of relative safety for counterfeiters

and online pirates has not escaped the attention of the current government. On June 29 2012 it passed the Copyright Modernisation Act, which amended the Copyright Act and provided for more effective rights protection in the digital era. The government is well on the way to passing a second bill – Bill C-8, or the Combating Counterfeit Products Act. This bill contains a number of provisions aimed at broadening the abilities of the Canada Border Services Agency (CBSA) – in conjunction with rights holders – to stop counterfeit goods before they enter the market. The bill undoubtedly contains some much-needed amendments to both the Copyright Act and the Trademarks Act – but will they be enough?

## Current legislative framework

Many companies – both inside and outside Canada – have become increasingly critical of what they perceive to be weak national IP laws. Many consider that the current legislative framework provides little to no actual protection for rights holders, which have witnessed a recent influx of counterfeit goods into the country. The appearance and sale of these goods can both cut into the profits of and negatively affect the goodwill associated with certain brands.

Although the federal Copyright Act and Trademarks Act provide some measures of protection against the import and export of counterfeit goods, in many cases these measures are practically ineffectual. For example, current provisions require that legal proceedings be commenced by rights holders before counterfeit goods can be seized at the border. This often means that the rights holder must know specific details about the counterfeit importer and the particular shipment – details that can be almost impossible to acquire. In addition, the costs associated with commencing

numerous legal proceedings can be prohibitive to many businesses, especially when shipments contain only small quantities of counterfeit goods or may end up containing none at all.

Another major area of concern is the lack of serious consequences for individuals found by a court to have been involved in the movement and/or sale of counterfeit goods. For example, the Trademarks Act currently provides no basis for the criminal prosecution of those involved in high-level counterfeiting activities. The Copyright Act, in contrast, does specify criminal offences in addition to civil causes of action. However, despite this, successful prosecutions of those involved in the import or sale of counterfeit goods are exceedingly rare.

## Counterfeiting and the courts

Perhaps partly because of real or perceived deficiencies in federal copyright and trademark laws, only a very small number of cases dealing with the import or export of counterfeit goods have been tried in the Canadian courts. This may be about to change. A handful of relatively recent rulings suggest that the courts are more open to effective enforcement of IP rights in the context of counterfeit products.

A prominent example is *Louis Vuitton Malletier SA v Singga Enterprises (Canada) Inc* (2011 FC 776), in which the Federal Court of Canada found that the defendants had manufactured, imported, advertised and/or offered for sale and sold counterfeit fashion accessories, specifically handbags, in various locations across Canada. This case is notable both for the amount of damages awarded – C\$2.48 million, including punitive and exemplary damages, making it the largest award granted to date in a Canadian counterfeiting case – and for proceeding under the new Federal Court of Canada rules

for summary trial. However, the facts of the case did not involve seizure of counterfeit goods at the Canadian border. Instead, the defendants were engaged in importing and selling the goods for an extended period before the action was brought against them.

Two additional counterfeit-related cases are worth noting: *Twentieth Century Fox Film Corporation v Nicholas Hernandez* (2013) T-1618-13 and *R v Strowbridge* (2014 NLCA 4).

*Twentieth Century Fox* is not, strictly speaking, a case dealing with the import and sale of counterfeit goods. However, it does reveal the willingness of the courts to award large monetary awards, including punitive damages, against those engaged in large-scale acts of copyright infringement carried out for commercial purposes. The defendants were found to have provided to the public a large number of copyrighted television episodes online. By promoting their file-sharing website, they were able to raise significant revenues from online advertisers. The court awarded the plaintiff over C\$10 million in damages.

In *Strowbridge* the Newfoundland Court of Appeal sentenced an individual to prison for the sale of counterfeit goods. The accused – who had been observed selling counterfeit items, including razor blades, sports apparel and hair-styling flat irons – was found guilty of several offences, including selling infringing copies of products in violation of the Copyright Act. Although the Court of Appeal reduced the sentence handed down by the trial court to two months' incarceration, this remains one of the rare Canadian court cases in which acts of copyright and trademark infringement resulted in a custodial sentence, as opposed to a fine and/or conditional sentence.

### Bill C-8: the Combating Counterfeit Products Act

In order to provide greater protection against counterfeiting activities, Bill C-53 was introduced into Parliament by the current government and later reintroduced as Bill C-8. The bill presents a number of amendments to both the Copyright and Trademarks Acts, and has the stated goal of “add[ing] new civil and criminal remedies and new border measures in both Acts, in order to strengthen the enforcement of copyright and trade-mark rights and to curtail commercial activity involving infringing copies and counterfeit trade-marked goods”.

Among other things, the enactment of Bill C-8 will:

- provide Canadian businesses with the opportunity to register copyright and



**Adam Bobker**

Partner

[abobker@bereskinparr.com](mailto:abobker@bereskinparr.com)

Adam Bobker is a partner and member of the litigation practice group at Bereskin & Parr LLP. His practice focuses on a wide range of IP disputes in many industries, including oil production equipment, farm equipment, wind turbines, building materials, pharmaceuticals, financial services, cosmetics, toys and games, video distribution, image companies and office supplies.

- trademarks with the CBSA;
- give CBSA officers *ex officio* powers to detain goods that they suspect infringe copyright or trademark rights for up to 10 days (five days for perishable goods);
- authorise CBSA officers to share information relating to detained goods with rights holders which have filed a request for assistance;
- create new civil causes of action with respect to activities (surrounding the actual sale) that sustain commercial activity in infringing copies and counterfeit trademarked goods; and
- create new criminal offences for trademark counterfeiting that are analogous to existing offences in the Copyright Act.

Towards the end of 2013 a number of individuals and groups, including the International Trademark Association (INTA), testified before the Standing Committee on Industry, Science and Technology, which eventually recommended minor amendments in its report issued before the House of Commons. The committee's amendments were accepted on January 31 2014 and the bill is now in its third and final reading.

Unexpectedly, according to some, the government of Canada introduced more

proposed amendments to the Trademarks Act within a further bill on March 28 2014 – Bill C-31, described as “an Act to implement certain provisions of the budget tabled in Parliament on February 11, 2014 and other measures”. Bill C-31, which has been labelled an omnibus bill, includes a host of provisions aimed at implementing portions of the Madrid Protocol, Singapore Treaty and Nice Agreement into Canadian law. The aforementioned treaties, to which Canada is a signatory, are all designed to promote greater harmonisation between differing national trademark regimes. Among other things, Bill C-31 proposes changes to national trademark registration and classification systems. It also repeats many of the non-counterfeit-related changes proposed in Bill C-8.

### Where does this lead?

Overall, the amendments presented in Bill C-8 have been welcomed by IP rights groups as an important step in providing greater protection to rights holders against the damaging activities of counterfeiters. However, some maintain that the legislation does not go far enough. For example, INTA has raised the following concerns:

- The bill does not include a provision for statutory or pre-established damages for trademark infringement for cases where damages are difficult to prove.
- The bill does not authorise the CBSA to detain goods that are in transit from one country to another, notwithstanding a strong suspicion that the goods are counterfeit.
- The new provisions make rights holders responsible for the costs of detaining suspected counterfeit goods, which could prove onerous for some trademark owners.
- The new criminal offences do not, but should, include a *mens rea* requirement to make the provisions more enforceable in practice.

In conclusion, the recent and ongoing legislative activities of the Canadian government, plus recent court cases, show that Canada is making efforts to improve its reputation in the area of counterfeit enforcement. It is clear that the federal government considers IP rights enforcement among its priorities. It is also clear that Canada's trading partners are watching. In 2013 the USTR moved Canada from the priority watch list to its regular watch list. Ultimately, the hope is that Canada will continue to move in this direction and contribute in a more meaningful way to the international protection of lawfully earned trademark and copyright-related rights. [WTR](#)