

Bereskin & Parr LLP

Working at the borders of enforcement

In Canada, there is generally no customs enforcement of IP rights and customs officials have traditionally seen their role as simply collecting the relevant duties. However, options are available to stem the flow of counterfeits

Limited seizure remedies are available in certain IP statutes. The Trademarks Act (Section 53), the Integrated Circuit Topography Act (Section 14) and the Copyright Act (Section 44) all contain provisions that permit applications for interim custody to be made, but the prerequisites for obtaining an order are such that they are almost never used. Under the Trademarks Act, for example, the owner of a registered mark may apply to the Federal Court for an order of seizure of goods, pending trial, but only when the goods are “about to be imported or have been imported into Canada but not yet released” (Section 53.1). Clearly, knowledge of impending importation or release into the trade is required, but this is extremely unusual, making the section virtually useless. Also, there are no penal provisions in the Trademarks Act or the Customs Act, meaning that the procedure is essentially toothless. Finally, the onus is on the owner of the registered mark to bring the application for interim custody, and not on customs officials to look out for counterfeits.

In practical terms, the Canada Border Services Agency (CBSA) can detain counterfeit or pirated goods only if either the rights holder has obtained a court order or the Royal Canadian Mounted Police (RCMP) (or local police officers) agree to seize the goods. While there are two small joint CBSA/RCMP teams in Toronto and Montreal to coordinate the agencies’ efforts, these teams are overwhelmed and do not have enough resources to investigate most cases of IP crime.

When faced with counterfeiting problems, rights holders have the following options.

Civil enforcement

Civil remedies for counterfeiting are available at common law for trademarks

and also pursuant to trademark and copyright legislation. Civil remedies include injunctions, damages, recovery and accounting of profits, destruction of the infringing goods (or the means by which they were made), recovery of legal costs and statutory damages (for copyright infringement).

If an infringement, passing-off or depreciation action is started, the plaintiff can also bring an application for seizure of the goods, with or without notice to the defendant. Often, the request is to permit seizure from unnamed defendants (also known as ‘John Doe’ orders), given the difficulty of both identifying and locating counterfeiters. Orders must be subject to supervision by an officer of the court – usually the local police – and are often limited both temporally and geographically. The necessarily intrusive nature of the remedy requires that certain fundamental protections be written into the order to protect the defendant from what would normally be an unauthorised search and seizure. When executing an order, the officer of the court should supervise the search and seizure of evidence and ensure that only the material listed in the order is seized.

Pursuing a civil remedy for infringement has the advantage of allowing the rights holder to control the action, including the timing of the proceedings and the choice of remedies sought. However, litigation is costly and the results are usually uncertain, making this feasible only in rare cases. The costs and time involved in locating infringers and infringing merchandise, getting infringers to court and collecting costs and damages in the event of a favourable ruling generally outweigh the advantages.

Summary trial

At the end of 2009 the Federal Courts Rules were amended to introduce summary trials

as a new tool for disposition of cases prior to a full-blown trial. The objective of the new summary trials was to promote efficient – and therefore less expensive – litigation in the Federal Court of Canada.

The first decision in a summary trial in a counterfeiting case was issued in *Louis Vuitton Malletier SA v Singga Enterprises (Canada) Inc*, 2011 FC 776. This case involved a motion by the plaintiffs for summary trial in an action (commenced by statement of claim) for infringement of the LOUIS VUITTON and BURBERRY trademarks and copyright. With one exception, the defendants did not participate in the motion, while the defendant that did participate admitted infringement.

The court considered the following factors to be useful in deciding whether a summary trial is appropriate: the amount involved, the complexity and urgency of the matter, any prejudice likely to arise by reason of delay, the cost of taking the case forward to a full trial in relation to the amount involved and any other matters that arise for consideration.

In *Louis Vuitton*, the motion was granted and the case was heard by way of a summary trial, at which the plaintiffs successfully showed that the defendants’ activities of manufacturing, importing, distributing, offering for sale and selling bulk quantities of counterfeit or infringing items had been ongoing and, in the case of one of the defendants, had continued after the commencement of proceedings and the motion for summary trial brought by the plaintiffs. The plaintiffs in this case hired investigators to attend the stores and warehouses of the defendants, as well as to purchase numerous counterfeit items. The plaintiffs’ victory in this case was due to the meticulous attention to detail spent in preparing their evidence, which underscores

the commitment required of plaintiffs that hope to succeed in an infringement action of this nature.

Each plaintiff recovered damages in accordance with a nominal damages scale based on amounts awarded in earlier cases, adjusted to reflect the blatant and recidivist behaviour of the defendants – C\$30,000 per known and substantiated instance of infringement (which significantly underestimated actual infringements). In addition, statutory damages were awarded for copyright infringement, as well as punitive and exemplary damages. In total, the damages awarded exceeded C\$2.7 million (although the plaintiffs' ability to collect this award remains to be seen).

In recent years, in cases where the evidence of a defendant's significant copying is shown, courts have begun awarding statutory damages for copyright infringement at the high end of the scale to deter future infringements.

Criminal prosecution

Criminal penalties are limited to those in the Criminal Code for forgery or passing off of a trademark (Sections 406 to 412) and 'anti-camcording' provisions (Section 432), as well as a provision in the Copyright Act (Section 42) for copyright infringement or piracy. Penalties for breaching these provisions include fines and imprisonment.

For the rights holder, criminal prosecution has cost advantages (although investigation-related costs remain), as well as the deterrent value of criminal penalties and the ability to avoid jurisdictional constraints if using police forces that operate in many areas of the country. Traditionally, companies have turned to the RCMP, which has national jurisdiction. In addition, since in Canada there are no limitation periods for indictable offences, it may be possible to pursue a criminal action for certain infringing activities that would be statute barred in a civil prosecution.

On the other hand, it is difficult to show criminal intent in a criminal action. The disadvantages of criminal proceedings include the loss of control over the timing of the action and the dependence upon the police to decide when, and even whether, to prosecute. Often the real difficulty lies in persuading the police to become involved and convincing them that the case is not merely a civil or commercial dispute.

Involving the police

When considering the option of reporting suspected counterfeit goods to the police, the RCMP's IP crime coordinators ask that



Megan Langley Grainger

Associate

mlangleygrainger@bereskinparr.com

Megan Langley Grainger is an associate lawyer with Bereskin & Parr LLP. Her practice focuses on trademarks, related litigation and marketing and advertising law. Prior to attending law school, Ms Langley Grainger spent several years gaining industry experience in the field of consumer packaged goods marketing.

rights holders document all investigative activities, preserve and secure evidence and contact the RCMP as soon as possible. (The national coordinator is Staff Sergeant Fahey, email ip-pi@rcmp-grc.gc.ca).

Rights holders must commit to supply an analysis of the offending goods, witnesses for all court proceedings, copyright or trademark registration certificates for court and a victim impact statement. Rights holders may also be requested to assist in the transportation, storage and destruction of offending goods at the conclusion of any investigation.

The decision as to whether to initiate a criminal investigation will depend on factors such as whether the allegation falls within the RCMP mandate and established IP policy parameters for investigation (eg, health and safety risks and organised crime links), and whether the rights holder has committed to assist throughout the entire investigation and prosecution.

Even in cases where it is determined that charges cannot be laid, the RCMP may still initiate action to seize any counterfeit products that are considered a health and safety risk, that fall within their IP crime policy or that have been detained at border crossings by the CBSA (there is no programme for rights holders to register intellectual property with the CBSA).

Certain types of counterfeit products will be more likely to secure police involvement due to potential health and safety risks. For example, on May 5 2011 RCMP investigators intercepted a package containing approximately 15,000 suspected counterfeit Viagra brand pills destined for a warehouse leased by the accused. At the warehouse, investigators subsequently seized approximately 100,000 suspected counterfeit Viagra and Cialis brand pills in blister packs, as well as boxes used to prepare the pills for resale.

Anti-counterfeiting online

The Internet plays a key role in copyright and trademark infringement. Internet chat rooms and private online forums are used by individuals to provide information regarding manufacturing techniques and to distribute high-value items such as false identification. Moreover, since goods purchased online are normally delivered through the conventional mail system, they frequently bypass Canadian regulations for the distribution of controlled goods.

On September 30 2011 Canada signed the Anti-counterfeiting Trade Agreement (ACTA), an international agreement aimed at combating the spread of trade in counterfeit and pirated goods. ACTA is intended to establish new international standards for enforcing IP rights. It will cover three areas: improving international cooperation, establishing best practices for enforcement and providing a more effective legal framework to address the problem of counterfeiting and piracy.

Implementation of ACTA will require amendments to Canada's IP laws. As a preliminary step, on September 29 2011 the Copyright Modernisation Act (Bill C-11) was introduced by the Canadian government. Bill C-11 is Canada's fourth attempt since 2005 to amend the Copyright Act.

Among the amendments, Bill C-11 will:

- provide protection for technological protection measures that companies use to secure content;
- establish new exclusive rights, including the right to make sound recordings available on the Internet;
- create new personal use exceptions; and
- clarify the role of internet service providers with respect to copyright infringement by limiting their liability and requiring them to forward notices of alleged copyright infringement to subscribers and to retain the records necessary to determine the subscribers' identity. [WTR](#)