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Counterfeiter's Beware – Canada Introduces New Law to Deal with Counterfeit and Pirated Products

By Rob McDonald

On March 1, 2013, the Canadian Government introduced Bill C-56, otherwise known as the *Combating Counterfeit Products Act* (the “CCP Act”). The Bill is primarily designed to amend the *Federal Copyright Act* and the *Federal Trade-marks Act* to add new civil and criminal remedies and improved border measures in order to strengthen the enforcement of copyright and trade-marks rights. The Canadian Government has recognized that there is significant commercial activity involving counterfeit and pirated goods in Canada, and this Act is intended to curtail such activity. While Bill C-56 also introduces other amendments to the *Trade-marks Act* to expand the scope of what can be registered as a trade-mark, and to modernize the trade-mark application and opposition process, this article will focus on the anti-counterfeiting aspects of the Bill. For more information on these other amendments to the *Trade-marks Act*, please refer to the next article “A “Sign” of Things to Come – How Bill C-56 Will Change Canadian Trade-mark Law”.

In the summary of the purpose of the Bill, the Canadian Government states that the new legislation will accomplish the following:

- a) Create new civil causes of action with respect to activities that sustain commercial activity in infringing copies and counterfeit trade-marked goods;
- b) Create new criminal offences for trade-mark counterfeiting that are analogous to existing offences in the *Copyright Act*;

- c) Create new criminal offences prohibiting the possession or export of infringing copies or counterfeit trade-marked goods, packaging or labels;
- d) Enact new border enforcement measures enabling customs officers to detain goods that they suspect infringe copyright or trade-mark rights and allowing them to share information relating to the detained goods with rights owners who have filed a request for assistance, in order to give the rights owners a reasonable opportunity to pursue a remedy in court;
- e) Exempt the importation and exportation of copies and goods by an individual for their personal use from the application of the border measures; and,
- f) Add the offences set out in the *Copyright Act* and the *Trade-marks Act* to the list of offences set out in the *Criminal Code* for the investigation of which police may seek judicial authorization to use a wiretap.

In its published fact sheet, the Canadian Government focuses on how the *CCP Act* will protect Canadian Consumers. They state that counterfeit goods are not only harmful to the economy, but are often made without regard to Canadian health and safety standards, and that organized crime groups use the profits from sales of counterfeit goods to fund many other crimes. By giving additional tools to law enforcement agencies and border officers, and allowing them to detain such goods, it is anticipated that the proliferation of counterfeit pirated goods will be reduced. It is noteworthy that the *CCP Act* would allow a specific exception at the border for individuals importing or exporting counterfeit trade-marked goods which are intended for personal use, as part of their personal baggage.

As much as the consumer will benefit from the *CCP Act*, trade-mark and copyright owners and

rights holders will benefit in terms of greater ability to enforce such rights.

Indeed, many of the proposed legislative provisions closely resemble those of the Anti-Counterfeiting Trade Agreement (“ACTA”), which Canada has signed on to, but not yet ratified. The U.S. has strongly urged Canada to “meet its ACTA obligations by providing customs officials with an ex-officio authority to stop the transit of counterfeit and pirated products through its territory” (2013 Trade Policy Agenda, Office of the U.S. Trade Representative). This Bill would be a significant step towards this objective.

The provisions of the *CCT Act* would provide several tools that could be used by a rights holder in the enforcement and protection of its trade-marks and copyrights, including:

1. There is a specific prohibition against the import and export of pirated or counterfeit goods, and customs officers may detain such products. These provisions are subject to exceptions relating to transiting goods, goods for personal use and goods where the trade-mark was applied with the consent of the trade-mark owner in the country where the trade-mark was applied (so called “grey market” goods). Customs officers may provide samples of products and other information to the rights holder, and rights holders may request assistance to confirm that their trade-marks or copyrights are being infringed. Under the detention provisions, limits are set on the length of time goods can be detained (no longer than 10 working days of information having been provided to the rights holder), and the rights holder may be required to post security or even damages if detention and destruction of goods proves to be unlawful. Rights holders can also provide notices to customs authorities regarding copyright

works, however, these provisions were not added to the *Trade-marks Act*.

2. There are specific provisions making it unlawful to make, import, export or possess counterfeit labels and packaging. Some counterfeiters attempt to avoid detection and border detention by importing or exporting counterfeit goods separately from the labels or packaging bearing the infringing trade-marks. The *CCP Act* will provide a remedy against this practice.
3. There are new criminal offence provisions added to the *Trade-marks Act* (such provisions already exist in the *Copyright Act*), making it an offence to knowingly sell, offer for sale, distribute on a commercial scale, manufacture, process, import or export goods or packaging for such goods, or to advertise or sell services, in association with a trade-mark that is identical to, or cannot be distinguished in its essential aspects from, a trade-mark registered for such goods or services. Such offences punishable by up to \$1 million or five years of incarceration.

In order to fully take advantage of the enforcement tools proposed by this Bill, rights holders should take steps to register their intellectual property rights to the full extent allowed by Canadian law, including obtaining Federal trade-mark and copyright registrations.

While the Bill is not law yet, the fact that it was introduced by the Canadian Government means that it will likely move quickly through the parliamentary process and pass during this session of parliament.

Once the *Combating Counterfeits Products Act* is law in Canada, copyright and trade-marks rights holders all over the world will have an increased ability to protect and enforce their intellectual property rights in Canada, particularly in respect

of the import and export of counterfeit and pirated goods at our borders.

A “Sign” of Things to Come – How Bill C-56 Will Change Canadian Trade-Mark Law

By Rob McDonald

On March 1, 2013, the Canadian Government introduced Bill C-56, “An Act to amend the *Copyright Act* and the *Trade-marks Act* and to make consequential amendments to other Acts”. The proposed legislation will be known by its short title, the *Combating Counterfeit Products Act* (“*CCP Act*”). As the name suggests, the *CCP Act* deals primarily with provisions designed to strengthen the enforcement of copyright and trade-mark rights and to curtail commercial activity involving pirated and counterfeit goods, notably through improved customs and border measures. For more information on the anti-counterfeiting aspects of the *CCP Act*, please refer to the previous article “Counterfeiter’s Beware-Canada Introduces New Law to Deal with Counterfeit and Pirated Products”.

This article will focus only on the other amendments being proposed to the *Trade-marks Act*, which will expand the scope of what can be registered as a trade-mark, allow the Registrar of Trade-marks to correct errors that appear in the Trade-marks register, and streamline the trade-mark application and opposition process.

The most significant proposed revision to the *Trade-marks Act* relates to the very definition of a “trade-mark”. Currently the *Trade-marks Act* defines a trade-mark as being:

- a) A mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by him from those

manufactured, sold, leased, hired or performed by others,

- b) A certification mark,
- c) A distinguishing guise, or
- d) A proposed trade-mark;

Under the *CCP Act* this definition would be much broader in scope, allowing for the registration of “signs”. Bill C-56 proposes that the definition of a trade-mark be the following:

- a) A sign or combination of signs that is used by a person for the purpose of distinguishing or so as to distinguish their goods or services from those of others,
- b) A proposed trade-mark, or
- c) A certification mark;

“Sign” is then defined as including “a word, a personal name, a design, a letter, a numeral, a colour, a figurative element, a three-dimensional shape, a hologram, a moving image, a mode of packaging goods, a sound, a scent, a taste, a texture and the positioning of a sign”.

This amendment dramatically changes the scope of what can be registered as a trade-mark and includes many items which were previously considered “non-traditional”. Provisions dealing with distinguishing guise trade-marks (unique shapes of products, containers, wrapping, or packaging, such as the shape of a Coca-Cola bottle), will be deleted, because such trade-marks are now covered under the definition of a “sign”. This provision will provide trade-mark owners a greater ability to protect and enforce their brand, including the right to register distinguishing features of their brand identity that used to be considered incapable of registration.

Other amendments are proposed in Bill C-56 that will change certain aspects of trade-mark practice. For example, certification marks can presently only be applied for on the basis of actual use, and the revisions would allow for certification marks to be filed based on proposed

use. As well, the concept of divisional applications is being introduced, whereby an applicant may limit the original application to one or more of the goods or services claimed, and file a divisional application with the remaining goods and services. This procedure would allow trade-marks to proceed to registration in respect of uncontested goods and services, while opposition proceedings or objections continue in respect of the contested goods and services. The advantage is that the divisional application keeps the filing date of the original application. Divisional applications may be further divided, so that multiple divisional applications are possible.

Finally, Bill C-56 proposes several amendments to the *Trade-marks Act* designed to streamline and simplify the trade-mark application and opposition procedures. For example, counterstatements in opposition proceedings need only state that the applicant intends to respond to the opposition, and a substantive reply would no longer be required. Also, the Registrar is given express power to correct errors in any entry in the register.

While the Bill is not law yet, the fact that it was introduced by the Canadian Government means that it will likely move quickly through the parliamentary process and pass during this session of parliament.

Once proclaimed, this new legislation will be a positive change for trade-mark rights holders. Not only will it increase their ability to protect against the import, export and distribution of pirated and counterfeit goods, it will broaden the scope of their trade-mark protection for their brands and make the entire trade-mark application and opposition procedure more modernized and streamlined.

Contact Us

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For further information, please contact a member of our [National Intellectual Property Group](#).