I. INTA RECOMMENDED CHANGES TO THE TRADE-MARKS ACT, RSC 1985 ANTICOUNTERFEITING-RELATED AMENDMENTS

Recommendation: Add provisions to the Trade-marks Act giving courts the power to award significant statutory (or “pre-established”) damages against counterfeiters in recognition of situations where it is difficult for the trade-mark owners to prove their measurable monetary loss or damage.

Although the Copyright Act provides for statutory damages, the Trade-marks Act does not. This disparity allows for fixed amounts for damages in copyright law but imposes difficult evidentiary burden of proving actual damages for trade-mark owners when counterfeiters often times do not keep accurate records of their illegal sales. It is in the interest of trade-mark owners and the Canadian government alike to have the strongest enforcement mechanisms possible such as statutory damages to protect trade-marks from infringement, counterfeiting, and fraud. Statutory damages are an added deterrence for counterfeiters, especially if coupled with strong anticounterfeiting provisions in the Criminal Code.

Policy Rationale

INTA believes that it is in the interest of trade-mark owners and the Canadian government alike to have the strongest enforcement mechanisms possible such as statutory damages to protect trade-marks from infringement, counterfeiting, and fraud. Statutory damages are an added deterrence for counterfeiters, especially if coupled with strong anticounterfeiting provisions in the Criminal Code.

Trade-mark owners in Canada are faced with the reality that many counterfeit businesses operate in cash only, do not provide receipts and have no purchase invoices to assist in calculating an accounting of profits. In instances where the counterfeit business has non-existent records or deceptively kept records to deflate the level of counterfeiting activity engaged in, proving actual damages is very difficult, if not impossible. The courts often award minimum compensatory damages in the amount of $3,625.00 (itinerant vendors), $7,250.00 (retailer) or $30,000.00 (wholesaler/importer). However, these amounts are not always awarded consistently by the courts and these amounts often do not adequately compensate the trade-mark owner and it often costs more in legal fees to obtain a judgment than the actual amount of the judgment. It has become a commonplace strategy for counterfeiters to fight every step of the way to increase costs and make it as expensive as possible for trade-mark owners to obtain the low-dollar judgments in amounts between $3,625.00 and $30,000.00. Without statutory guidance to the courts as to the amount of damages to be awarded, awards are highly likely to continue to be low and thus being considered by the professional counterfeiter as merely the cost of doing business.

Adding statutory damages provisions to the Trade-marks Act would also be consistent with relief provided by another Canadian intellectual property statute, also amended by Bill C-8: the
Copyright Act. The Copyright Act already provides for the possibility to elect to recover statutory damages. Section 38.1 of the Copyright Act, in force since October 1, 1999, provides that, when an infringement is for a commercial purpose, the copyright owner may obtain, instead of damages and profits, a sum of between $500 and $20,000 with respect to all infringements involved for each work. The purpose of adding statutory damages in lieu of damages and profits provisions to the Copyright Act was because damages suffered by a copyright owner are often difficult to prove. In Telewizja Polsat A.S. v. Radiopol Inc. (2006), 52 C.P.R. (4th) 445 (F.C.), at p. 458, the Federal Court reiterated that rationale and added that statutory damages serve also to deter infringers:

The purpose of providing for statutory damages in lieu of damages and profits is because actual damages are often difficult to prove and it is only the promise of statutory damages that will induce a copyright owner to invest and enforce his copyright and only the threat of a statutory award will deter infringers by preventing their unjust enrichment (see Goldstein, on Copyright, Third Edition, Aspen Publishers at page 14-38)

While in some instances, some judges are prepared to award punitive damages against egregious defendants for the sale of counterfeit goods in Canada, the test to satisfy the judge that punitive damages are appropriate is difficult to prove and will only be provided in the rarest of cases. Unfortunately the culture of our society has grown to accept the sale of counterfeit goods, and like copyright, additional measures need to be taken to both allow, through the promise of statutory damages, trade-mark owners to invest in enforcement efforts and to prevent unjust enrichment to counterfeiters.

Several countries deter the sale of counterfeit goods through damage provisions. Here are just a few:

1. United States - The Lanham Act provides for treble damages and statutory damages up to $2,000,000 ($2,200,000 CAN) per mark for use of counterfeit mark in 15 USC § 1117.

2. European Union- EU Directive 2004/48/EC on the Enforcement of Intellectual Property Rights includes a provision which allows the judicial authorities to set the damages as a "lump sum on the basis of elements such as at least the amount of royalties which would have been due if the infringer has requested authorization to use the intellectual property right in question" (Art. 13 (1 (b))). However, some national statutory or case laws provide for damages that can exceed compensatory damages and can be viewed as punitive in nature. These countries include: Austria, Czech Republic, Hungary, Greece, Spain, and Lithuania.

3. China - Under the current law, the amount of actual damages for a trade-mark infringement can be the benefits gained by the infringer, or the losses suffered by the right holder during the period of infringement as a result of the infringement. If both of these amounts are difficult to calculate, the court may at its discretion award damages in the amount of up to RMB 500,000 ($83,987.50 CAN).

4. Mexico - Article 221bis of the Mexican Industrial Property Law allows for an award of compensatory damages for trade-mark infringement, equal to at least 40 percent of the retail value of the infringing goods. In addition, Article 221 states that a plaintiff is entitled to other damages available under "ordinary legislation." Punitive damages, as such, do not exist under Mexican law. However, Article 1916 of the Federal Civil Code allows for awards of "moral damages" (daños morales). The purpose of an award of moral damages
is to compensate the plaintiff for intangible losses, such as damage to reputation, in addition to proven monetary losses. Courts have discretion to base the amount of moral damages on the nature of the rights involved, the defendant's degree of responsibility, the parties' economic situation and other factors.

5. India - Recently a damages culture has emerged in IP litigation in India, whereby the Indian courts, particularly the Delhi High Court, have handed down a series of decisions granting compensatory as well as punitive and exemplary damages to plaintiffs for infringement of their IP rights. The trend of awarding punitive and exemplary damages started with Time Incorporated v Lokesh Srivastav (2005 (30) PTC 3 (Del)), where the court awarded both compensatory damages and punitive damages for infringement of the trade-mark TIME. The court awarded the plaintiff Rs500,000 ($8,539 CAN) for loss of reputation, plus Rs500,000 ($8,539 CAN) in punitive damages, including interest; the total damages award was Rs1.6 million ($27,324.48 CAN). The court held that the defendant's magazine, which used the Hindi transliteration of the word 'Time' with a distinctive red border, was a slavish imitation of the plaintiff's trade-mark and held the defendant liable for infringement.

In our view, the current language on awards and penalties in the Trade-marks Act, if not amended, will have little effect on the professional counterfeiter and will continue to prevent trade-mark owners from being able to properly invest in enforcement efforts. Statutory damages will assist in strengthening our laws and deterring this illegal activity.

Proposed Statutory Language

The Trade-marks Act amended by adding the following after subsection 53.2:

53.21(1) Statutory Damages. Subject to this section, an owner of a registered trade-mark may elect, at any time before final judgment is rendered, to recover, instead of damages or profits referred to in subsection 53.2 (1), an award of statutory damages for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally,

(a) in a sum of not less than $500.00 and not more than $10,000.00, with respect to all infringements involved in the proceedings for each type of goods or services that infringes on a trade-mark, per each instance of infringement done contrary to this Act, that the court considers just;

(b) in a sum of not more than $1,000,000.00 with respect to all infringements involved in the proceedings for each type of goods or services that infringes on a trade-mark, per each instance of infringement done contrary to this Act, that the court considers just, if the infringement was known by the person that infringed; and

(c) in a sum of not less than $5,000 and not more than $1,000,000.00, with respect to all infringements involved in the proceedings for each type of goods or services that infringes on a trade-mark, per each instance of infringement done contrary to this Act, that the court considers just, if the infringements are identical with, or substantially indistinguishable from a registered trade-mark.

(2) Exception – Statutory damages are not available to a trade-mark owner who has not used a trade-mark in Canada at any time during the three year period immediately preceding the
infringement, where the absence of use has not been due to special circumstances that excuse the absence of use.

(3) Exemplary or punitive damages not affected – An election under subsection (1) does not affect any right that the trade-mark owner may have to exemplary or punitive damages.

Recommendation: Amend the Trade-marks Act to include a section on abandonment or “deemed consent” that allows for more efficient and commercially reasonable recovery of the seized shipment

Dealings in counterfeit goods in Canada adversely impact law-abiding manufacturers and traders, trade-mark owners, and Canadian consumers to whom such goods could also pose a health and safety risk. INTA believes that such goods should not make their way into the Canadian marketplace. To that end, the Trade-marks Act should be amended to provide for a summary procedure allowing for the forfeiture and destruction of counterfeit goods.

Policy Rationale

The Trade-marks Act currently requires a trade-mark owner to obtain a Court Order or an executed written agreement in order for the Canadian Border Services Agency (“CBSA”) to release a shipment of detained goods. However, obtaining a Court Order or written agreement is time consuming, and unnecessarily costly for trade-mark owners who have filed Requests for Assistance as they are also liable for the steep storage fees payable for the detained goods until such time as the CBSA releases the goods.

The requirement to prosecute a civil action or conclude a written agreement with the importer in order to get counterfeit goods destroyed together with the high storage costs are a very real deterrent, discouraging trade-mark owners from filing Requests for Assistance in Canada. This very much compromises Canada’s anticounterfeiting efforts to the detriment of Canadian consumers, in addition damaging Canada’s reputation in this space globally. Further, enforcing trade-mark rights at the border while goods are under CBSA’s supervision or control is far more efficient than having to initiate several separate proceedings once a shipment of counterfeit goods has been broken up and delivered to various retailers.

INTA thus proposes a “simplified procedure” mechanism which would apply only to defined “counterfeit goods”. In summary, absent an objection by the importer within a set time-period to notification by the CBSA of the proposed seizure of a shipment of goods which have been confirmed (in writing) by the trade-mark owner to be counterfeit, the goods will be forfeited to the Crown for destruction. Further, failure by the importer to object to the proposed forfeiture would be construed “deemed consent” to the forfeiture of the goods for destruction.

As mentioned above, the proposed simplified procedure would only apply to “counterfeit goods” as defined – essentially where an identical mark is used on goods identical to those protected by the Canadian registered trade-mark.

This “simplified procedure” amendment to the Trade-marks Act would ensure a streamlined, efficient and cost-effective means of tackling shipments of counterfeit goods, thereby better protecting Canadian consumers, while reducing the burden on Canadian courts in addition to assisting trade-mark owners with better policing their Canadian trade-marks.
We note that the change in subsection 51.06(3) allows the amendment to work seamlessly with the existing legislation and its time limits.

**Proposed Statutory Language**

The *Trade-marks Act* amended by adding the following provisions in section 51

51.02 The following definitions apply in sections 51.03 to 51.12.

……..

counterfeit goods means

(a) goods or their labels or packaging which bear, without the consent of the owner of a registered trade-mark for those goods, a trade-mark that is identical to, or that cannot be distinguished in its essential aspects from that registered trade-mark; or

(b) any sticker, brochure, operating instruction manuals or leaflets, warranty document or other similar item, even if presented separately, which bears, without the consent of the owner of a registered trade-mark, a trade-mark that is identical to, or that cannot be distinguished in its essential aspects from that registered trade-mark and which can be used for those goods for which the trade-mark has been registered.

suspected counterfeit goods means goods which, based on the written assessment of a sample of the goods by the owner of a registered trade-mark, are prima facie counterfeit goods

protected mark means a registered trade-mark or a protected geographical indication. (marque protégée)

relevant protected mark means

(a) a trade-mark registered for goods that is identical to, or cannot be distinguished in its essential aspects from, a trade-mark on such goods, including their labels or packaging,; or

(b) a protected geographical indication identifying, as the case may be, a wine or spirit, or an agricultural product or food of a category set out in the schedule, that is identical to, or cannot be distinguished in its essential aspects from, an indication on such a wine or spirit or such an agricultural product or food, or on their labels or packaging. (marque protégée en cause)

……..

51.03 (1) (a) Goods shall not be imported or exported if the goods or their labels or packaging bear — without the consent of the owner of a registered trade-mark for such goods — a trade-mark that is identical to, or that cannot be distinguished in its essential aspects from, that registered trade-mark.
(b) Stickers, brochures, operating instruction manuals or leaflets, warranty documents or other similar items, even if presented separately, shall not be imported or exported if they bear, without the consent of the owner of a registered trade-mark, a trade-mark that is identical to, or that cannot be distinguished in its essential aspects from that registered trade-mark and which can be used for those goods for which the trade-mark has been registered.

51.06 (1) A customs officer who is detaining goods under section 101 of the Customs Act and who has reasonable grounds to suspect that the importation or exportation of the goods is prohibited under section 51.03 may, in the officer's discretion, if the Minister has accepted a request for assistance with respect to a relevant registered trade-mark filed by its owner, provide that owner with a sample of the goods and with information about the goods that could assist them in pursuing a remedy under this Act, such as

(a) a description of the goods and their characteristics;

(b) the name and address of their owner, importer, exporter and consignee and of the person who made them;

(c) their quantity;

(d) the countries in which they were made and through which they passed in transit; and

(e) the day on which they were imported, if applicable.

Detention

(2) Subject to subsection (3), the customs officer shall not detain, for the purpose of enforcing section 51.03, the goods for more than 10 working days — or, if the goods are perishable, for more than five days — after the day on which the customs officer first sends or makes available a sample or information to the owner under subsection (1). At the request of the owner made while the goods are detained for the purpose of enforcing section 51.03, the customs officer may, having regard to the circumstances, detain non-perishable goods for one additional period of not more than 10 working days.

(2.1) Simplified procedure for destruction of suspected counterfeit goods

(a) If, before the goods are no longer detained further to section 51.03, the owner of a relevant registered trade-mark provides the CBSA, in the manner specified by the CBSA, with a signed declaration from the trade-mark owner confirming that the sample goods are counterfeit and thus in contravention of section 51.03 (a) or (b), then CBSA will immediately inform the importer of the assessment by the owner of the relevant registered trade-mark and of CBSA's intention to forfeit to the Crown for destruction the suspected counterfeit goods.

(b) the suspected counterfeit goods detained under section 51.03 may be forfeited to the Crown for destruction upon expiry of the applicable detention period providing that all the below conditions are fulfilled;

(i) the trade-mark owner has in place a request for assistance or if not, files an application for the same simultaneously with its written confirmation of assessment;
(ii) the trade-mark owner acknowledges and confirms together with its signed declaration, that it indemnifies the Crown;

(iii) the trade-mark owner confirms its agreement to the destruction of those goods; and

(iv) the importer of the goods has confirmed in writing to CBSA its agreement to the destruction of the goods. Where the importer has not confirmed its agreement to the destruction of the goods, nor advised in writing of his objection to such destruction, the CBSA may deem the importer to have confirmed its agreement to such destruction.

(c) The CBSA shall release the goods upon expiry of the detention period if they have received from the trade-mark owner all of the following (in writing):

(i) signed declaration confirming that the goods are counterfeit;

(ii) an application for a request for assistance if this is not already in place;

(iii) acknowledgement of its liability to the importer under section 51.10 (2); and

(iv) confirmation of its agreement to destruction of the goods.

unless the CBSA has been duly informed about the initiation of proceedings to determine whether an intellectual property right has been infringed.

No liability

51.10 (1) Neither Her Majesty nor a customs officer is liable for any loss or damage suffered in relation to the enforcement or application of sections 51.03 to 51.06 and 51.08 because of

(a) the detention of goods, except if the detention contravenes subsection 51.06(2);

(b) the failure to detain goods; or

(c) the release or cessation of detention of any detained goods, except if the release or cessation contravenes subsection 51.06(3).

(2) With respect to the simplified procedure under section 51.06 (3), should the goods in question subsequently be found not to infringe a trade-mark right, the trade-mark owner shall be liable towards the importer who has suffered damage in that regard, in accordance with the applicable law.

Recommendation: To remove the exception under 51.03(2)(d) of the Trade-marks Act, which exempts the interception and seizure of counterfeit goods in transit through Canada to other destinations.

Policy Rationale
INTA believes that the CBSA should intercept and seize counterfeit goods in transit. The current exemption hurts Canadian companies whose products are being counterfeited and distributed within Canada and abroad, not to mention any goods in transit that are re-imported from their destination countries back into the Canadian market.

Allowing counterfeit goods in transit to pass through Canada undermines the good work of law enforcement and Customs officers and exposes consumers in countless countries to harmful counterfeit products. It may also encourage the use of Canada as a convenient transit destination by organized crime.

One of the main arguments to allow goods to transit through Canada is the fear of stopping generic drugs en route to developing countries. However, dangerous trade-mark infringements that transit through Canada include counterfeit medicines that are misbranded to intentionally mislead consumers and often do not contain the proper active ingredients. Clearly defining counterfeits and limiting the transit provisions of counterfeits will mean that generic products like generic medicines, which do not infringe trade-mark rights, will not be subject to seizure under the trade-mark laws. Moreover, these provisions are intended to make clear that only the most serious type of infringement, counterfeiting, is the target for customs action. Stopping counterfeit goods in transit takes these sorts of hazardous goods out of the market.

As such, INTA recommends that section 51.03(2)(d) be deleted, thus removing the exemption for goods in transit through Canada.

**Proposed Statutory Language**

The *Trade-marks Act* amended by adding the following after subsection 51.03(2)(d)

**Prohibition**

**No importation or exportation**

51.03 (1) Goods shall not be imported or exported if the goods or their labels or packaging bear — without the consent of the owner of a registered trade-mark for such goods — a trade-mark that is identical to, or that cannot be distinguished in its essential aspects from, that registered trade-mark.

**Exception**

(2) Subsection (1) does not apply if

(a) the trade-mark was applied with the consent of the owner of the trade-mark in the country where it was applied;

(b) the sale or distribution of the goods or, in the case where the trade-mark is on the goods’ labels or packaging, of the goods in association with the labels or packaging would not be contrary to this Act;

(c) the goods are imported or exported by an individual in their possession or baggage and the circumstances, including the number of goods, indicate that the goods are intended only for their personal use; or
(d) the goods, while being shipped from one place outside Canada to another, are in customs transit control or customs transhipment control in Canada.