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Canada's Significantly Amended Trademark and Anti-Counterfeiting Laws: What U.S. Counsel Need to Do Right Now

Navigating Key Changes in Registration, Nice Classification System, Application and Opposition Procedure, and More

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Canada's Significant Trademark Law Changes

Presented by: Mark Evans and Brian Isaac
November 25, 2014

SMART & BIGGAR

Intellectual Property & Technology Law

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UNPARALLELED IP

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**Most Significant Amendments in
over 50 Years.**

**Canadian trademark law and
practice are poised for dramatic
change!**

What is coming?

2 bills before Parliament to amend the Canadian *Trademarks Act* (TMA)

- Bill C-31-*Economic Action Plan 2014 Act, No. 1*
- Bill C-8-*Combating Counterfeit Products Act*

WHY?

SMART & BIGGAR

Intellectual Property & Technology Law

Bill C-31: Overview

- Intended to modernize Canada's protection of trademarks
- Intended to assist Canada to accede to *Madrid Protocol*, *Singapore Treaty* and *Nice Agreement*

Bill C-31: Overview

WHEN?

Bill C-31: Overview

- Bill C-31 — introduced in March
 - Passed by Canadian legislature in June
 - Waiting on supporting regulations and IT issues to be resolved before coming into force
 - Proposed regulations recently circulated for comments by practitioners
 - In force date: likely late 2015/early 2016

WHAT CHANGES?

Bill C-31: Overview

IMAGINE

- No need to worry about determining date of first use in Canada
- No need to ask about whether test marketing is "use"
- No need to ask whether clinical trial is "use"

Bill C-31: Overview

IMAGINE

- No need to ask if willingness to provide service in Canada is "use"
- No need to ask whether token sale is "use"
- No need to ask whether sale on internet is use

Bill C-31: Overview

IMAGINE

- No need to worry about certified copies of U.S. registration
- Or for time extensions for U.S. registration to issue
- No need to file a Declaration of Canadian use
- Or for time extensions for use Canadian use to commence

The Good News

- Easier/faster/cheaper to obtain a trademark registration in Canada
- (Most of the time)

The Importance of Use

- Like the U.S., Canada has always been a "use-based" jurisdiction, and this will remain the case
- Common law trademark rights apply
- The right to register a mark in Canada will depend upon the first to use or file. This will not change
- We are not becoming a "first to file" country

The Most Dramatic Change

- No use information will be needed during the application process
- No need to state whether trademark has been used in Canada – or elsewhere – or to provide date of first use
- Use/registration abroad no longer a basis for registration
- No Declaration of Use or proof of use required to obtain registration

Bill C-31: Right to Registration

- Prior use or filing/priority date still determines priority to registration
- But, this will be a matter of opposition

Bill C-31: Risks and Problems

1. Here come the “trolls” and “squatters”
2. Clearing marks – no idea if used anywhere, or on what
3. Opposing marks – “use” investigations will be critical as no information as to priority or use
4. Canceling registrations for non-use – (typically) only 3+ years after registration
5. Will registrations be constitutionally valid? (*trade and commerce v mere property right*)

Bill C-31: Risks and Opportunities

WHY CARE?

- Canada is U.S.'s largest trading partner
- U.S. brands are known in Canada instantaneously (TV, magazines, print, internet, social media, radio)
- Canada's economy has led the G8 for a decade
- 400,000 individuals cross the U.S./Canada border every day

Bill C-31: Risks and Opportunities

WHY CARE?

THERE ARE MANY, MANY, MANY
VALUABLE U.S. BRANDS THAT ARE
UNPROTECTED IN CANADA

Bill C-31: Recommendations. And Opportunities!

NOW:

- Diligently review client portfolios for unregistered marks
- Implement watch services

Bill C-31: Recommendations. And Opportunities!

ONCE IN FORCE:

- Consider “defensive” filings for similar marks even if no intention of using
- (since “intention” to use only arises if application is opposed)
- Consider “defensive” filings for expanded goods and/or services
- Filing of applications should not be delayed

Challenging an Application

- Letters of Protest – New! (in draft Regulations)
- Oppositions

Challenging an Application – Oppositions

GROUND

UNCHANGED – mark not registrable, not person entitled to registration (i.e. priority), mark not distinctive

Challenging an Application – Oppositions

GROUNDS

NEW! – Applicant not using and did not intend to use mark in Canada, as of Canadian filing date.

- (U.S. law re *bona fide* intention to use?)

Challenging an Application – Oppositions

GROUND

GONE! – Many technical grounds (e.g. not claiming correct date of first use; filing proposed use application even though mark in use in Canada; incorrectly claiming foreign use when not in use; not identifying predecessor-in-title)

Challenging a Registration

1. Summary non-use (s. 45) – can still cancel in TMO once on register for at least three years
 - now TMO can also commence proceedings

Challenging a Registration

2. Invalidating/expunging on same grounds in previous Act:

- a. trademark not registrable
- b. trademark not distinctive
- c. trademark abandoned

Challenging a Registration

- d. applicant not person entitled to registration
- e. NEW – registration is likely to limit the development of any art or industry
- f. MISSING – no intention to use mark in Canada

Transitional Provisions

Which version of the Act will apply to pending applications?

- In general, determined by the date that the application was advertised/published in our Trademarks Journal
 - a. if already advertised, old Act
 - b. if not yet advertised, new Act

HOWEVER – there will be some exceptions – for example, Declaration of Use requirement will be abolished for all pending applications

Bill C-31: Other Changes

Changes in Terminology

- Trade-mark = trademark
- Wares = goods

Bill C-31: Other Changes

Changes in Terminology

- “Trademark” – includes any *sign* or combination of *signs* used or to be used to distinguish
- “Sign” – includes traditional marks (words, personal names, designs, letters, numerals, colours, figurative elements, three-dimensional shapes, and a mode of packaging AND non-traditional marks (holograms, moving image, sound, scent, taste, texture, position of sign

Distinctiveness Requirement

The Applicant will be required to prove “acquired distinctiveness” or “secondary meaning” by filing affidavit evidence in several circumstances:

1. To overcome a descriptiveness objection based upon the mark being “clearly descriptive” or “primarily merely a name or surname”

Distinctiveness Requirement

This will be MORE ONEROUS for most U.S. brand owners

Why?

Lower standard under S. 14 (“not without distinctive character”) is being abolished

- Recommendation – consider filing S. 14 evidence **NOW** if facing a descriptiveness/name/surname objection

Distinctiveness Requirement

2. Trademark consists exclusively of:

- 3-Dimensional shape
- sound
- scent
- taste
- texture

Distinctiveness Requirement

3. Color or colors *per se* (i.e. without delineated contours, not restricted to shape)
 - Recommendation – file **NOW** for color marks

Distinctiveness Requirement

4. Any mark that the Examiner considers not to be inherently distinctive
 - (The great unknown)

Bill C-31: Other Changes

Nice Classification system being introduced

- Fees not yet determined
- No indication that fees will be applied retroactively to pending applications

Bill C-31: Other Changes

Nice Classification Recommendation:

- **NOW** – consider filing multi-class applications to avoid additional fees
- **ONCE IN FORCE** – Consider **DEFENSIVE** multi-class applications (particularly for important brands)

Bill C-31: Other Changes

Registration term reduced from 15 years to 10 years

- But, no early bird renewals possible
- Renewal term determined by the version of the *Trademarks Act* in force *at the actual date of renewal* (i.e., the date when the previous term actually expires), not the date on which the renewal request is made

Bill C-31: Other Changes

- Also, no need to file specimens of use/declaration to maintain
- Renewal fees – amounts currently unknown

Bill C-31: Other Changes

Divisional Applications

- Limited applicability as use not required
- But, may assist to avoid citations or oppositions

Bill C-31: Other Changes

“Associated” Trademarks abolished

- Will avoid problems in assigning marks
- BUT— may create invalidity problems due to lack of distinctiveness

Bill C-31: Other Changes

Claiming Priority

- no longer restricted to filings based in applicant's "home" country

Joint Ownership of Marks

- will be possible without "fictional" partnership or joint venture

Bill C-31: Other Changes

Certification Mark Applications

- can file without use in Canada

Other Canadian Trademark Changes — Miscellaneous

- Madrid Protocol (likely late 2015/early 2016)
- Letters of Consent (sorry)

Enforcement

- Amendments directed to improving enforcement of trademarks and copyrights generally and against counterfeit products in particular have been or will be implemented through:
 - Copyright reform
 - Bill C-8 the *Combating Counterfeit Products Act*
 - General court reform

Prior to Reform

- Criminal provisions outdated and unnecessary jurisdictional issues
- Vicarious and contributory liability tougher to establish in Canada than US and the law is insufficiently developed
- Border provisions are insufficient
- No express ISP requirements until copyright reform fully in force early 2015

Reform Initiatives

- Bill C-8 addresses criminal provisions and border enforcement
- Copyright reform addressed circumvention and will address ISP liability

Enforcement Background

- Selling counterfeits infringes trademark rights and / or copyrights
- Civil enforcement against criminal activity is often viewed as throwing good money after bad
- Selling counterfeits is also a criminal offence under the *Criminal Code* and / or s.42 of the *Copyright Act* and may constitute offences under other legislation, including hazardous product, consumer protection and labeling laws

Civil Procedures

- For the most part, enforcement of intellectual property rights in Canada is in the hands of the right holders
- Damages/profits in civil counterfeiting cases have traditionally been low
 - It is difficult to quantify damages
 - Purveyors of counterfeit goods don't keep good records

Damage Awards

- Civil decisions showing willingness of courts to award significant statutory, nominal and punitive damages and costs
- **Recent decisions have handed out tougher damage awards and particularly against recidivists**

Summary Proceedings

- Applications available to enforce copyrights and trademarks
- Recent adoption of summary trial procedures by the Federal Court and reform of summary judgment rules in other courts making summary procedures more readily available even in full blown actions
 - Provides flexibility to choose correct procedure

Criminal

- Few cases going to trial
- Plea bargains are the norm
- Criminal enforcement may be cost effective but typically penalties not deterrent and lose control

Law Enforcement

- RCMP in reorganization transition and no longer dedicated FES officers – not clear what ultimate structure will be
- Local forces may have more responsibility going forward
- Resources – priorities
 - Health and safety
 - Large operation
 - Organized crime

Customs Enforcement

- *Copyright Act* clear importation constitutes infringement but *Trademarks Act* not so clear
- Civil Border Provisions
 - *Copyright Act* s. 44-45
 - *Trademarks Act* s. 53, 53.1
- No criminal or administrative border provisions
- How it works in practice
 - If knowledge of specific shipment
 - If noted by Customs Canada / RCMP

Current Customs Enforcement

- Pursue customs enforcement if specific information regarding large incoming shipment or if there is a health and safety issue, or organized crime or terrorist connection

Copyright Reform Legislation 2012

- Amended provisions in force except a few sections including ISP notice and notice provisions that come into force early 2015
- Added rights and prohibitions including in respect of
 - Making available of sound recordings and performances
 - Technical protective measures (“TPMs”)
 - Digital “rights management information” (“DRMI”)
- Adds limitations to liability
 - ISP safe harbor confirmed
 - Personal limitations added
 - Expanded exceptions including fair dealing (adds education, parody or satire)
- Addresses Liability of internet service providers

ISPs, Hosts and Search Engines

- Mere conduit exemption for operation of the Internet
- Mere digital memory provider exemption subject to knowledge of court decision that a person has stored infringing work
- Mere “information location tool” (ILT) limitation to injunctive relief subject to conditions

Notice and Notice

- Made in Canada “notice and notice system”
 - Owner of copyright may send notice of infringement to ISPs, Hosts and search engines
 - Upon receipt ISPs and Hosts to forward notice electronically and retain identity records – statutory damages for non-compliance
 - Upon receipt search engine limitation of liability to an injunction vitiated

Notice and Notice regime coming into force

- There was delay in implementing the notice and notice regime to allow time for preparation of regulations
- On June 17, 2014, the government announced the regime would come into force without further regulation and it will be in force in early 2015
- In the meantime, the Supreme Court of Canada has affirmed a reasonable expectation of privacy in IP address information and the Federal court has imposed significant conditions on a copyright holder when ordering IP address identity and contact information be provided by an ISP

Notice and Notice

- The implementation of the notice and notice system may further support the privacy of IP address information and make it more likely that a court order will always be required in order to get such information from ISPs, etc.
- By not providing for take-down in uncontested cases, the system may promote litigation since that may be the only way to have infringing content removed
- To be reviewed after implementation

Bill C-8

- The *Combating Counterfeit Products Act* was introduced as Bill C-56 in March of 2013 and re-introduced as Bill C-8 in October 2013
- C-8 has proceeded through third reading in the House of Commons and went through a couple of readings in the Senate before it was realized they were reviewing the wrong version
- Belief is it was put in abeyance pending passage of C-31 and expectation despite the false start in the Senate is it will be passed in the fall of this year
- C-8 adds prohibitions, offences and border provisions to the TMA and CA to assist in enforcing against counterfeit products

Prohibitions

- C-8 adds prohibitions providing civil remedies against manufacture, possession, import or export of unauthorized goods and labels or packaging in any form that bears “a trademark that is identical to or confusing with a trademark registered for such goods
- Limitation to registered goods may be problematic if strict rules requiring detailed statements of goods and services are maintained
- C-8 also proposes amendments to the CA to expand the definition of infringement to cover export of pirated copies for commercial purposes

Offences

- Trademark offences are currently in the *Criminal Code* of Canada
 - raises jurisdictional issues since the *Criminal Code* is generally prosecuted by provincial prosecutors while CA offence are generally prosecuted by federal prosecutors
- The current trademark offence provisions are outdated and ineffective
 - For example, the *Criminal Code* passing off offence has been construed to require a purchaser be unaware that products being purchased are counterfeit for a distributor or retailer to commit an offence under the provisions

C-8 Criminal Offence Provisions

- C-8 provisions make it an offence to sell, offer for sale, distribute, manufacture, possess, import or export for the purpose of sale or distribution, any goods, labels or packaging, or to sell or advertise services, in association with a trademark with knowledge that
 - the trademark “is identical to or cannot be distinguished in its essential aspects from, a trademark registered for such goods ... [or] services ...”
 - that the owner of the trademark “has not consented”
- C-8 also proposes amendment to the criminal offences in the CA to add possession and export of pirated copies for specified commercial purposes as offences

Issues with C-8 Offences

- Assuming no change to the *mens rea* requirement, it is likely that the practice of Canadian law enforcement officers to only lay charges if the perpetrator was previously put on notice will continue
- The new offence provisions do not address the fact that disposing of goods has proven problematic in cases where prosecution has not been pursued since a motion under the *Criminal Code* is required
- That said, the C-8 offence provisions are a clear improvement over existing counterfeiting offences

Counterfeit Border Measures

- Canada's existing border measures consist of provisions in the TMA and CA requiring court orders for detention of counterfeit products by CBSA
- Detailed information regarding shipments is required and the provisions have not been regularly used – see:
 - <http://www.cbsa-asfc.gc.ca/publications/dm-md/d19/d19-4-3-eng.html>
- CBSA has no mandate or *ex officio* power to detain counterfeit goods and is precluded from providing information or samples to right holders
- Joint forces operations with the RCMP have facilitated detention and forfeiture or abandonment of counterfeits based on a prioritized system and subject to available resources

C-8 Border Measures

- C-8 provides specific prohibitions against:
 - import or export of unauthorized goods or packaging bearing trademarks identical to or having all essential elements of a trademark registered for such goods to the TMA; and
 - import or export of copies of works made without consent of the owner of copyright in the country where they were made to the CA
- The prohibitions are subject to exceptions for individuals possessing goods or works for personal use and goods transiting through Canada

Requests For Assistance (“RFAs”)

- C-8 provides for RFAs by right holders
 - details to be settled by regulation or Customs Notices
 - valid for two years
- Broad discretion to the Minister to set requirements for acceptance of RFAs and to require right holders to post security
- Hope is that the regulations will provide a cost-effective process for right holders to provide information facilitating effective detection and enforcement against counterfeits
- However, the provisions only provide for forfeiture by court order, and there are other issues, such that they may not be effective

Ex Officio?

- Prohibitions against import or export provide CBSA with *ex officio* power to detain suspected counterfeit goods under s.101 of the *Customs Act*
- C-8 provides CBSA with the ability to forward samples and information to right holders for the purpose of considering breach of the prohibition but should not identify “any person” unless a RFA has been accepted
- If a RFA has been accepted detention is subject to the right holder commencing court proceedings within 10 working days of provision of information or samples by CBSA and if the right holder does not commence proceedings, it appears confirmed counterfeits may be released to the Canadian market
- If no RFA has been accepted, it appears disposition will be pursuant to s. 102 of the *Customs Act* such that importers of goods confirmed to be counterfeit will be able to choose to abandon or re-export them
- Bottom line *ex officio* detention, but not seizure or forfeiture

Simplified Procedure Needed?

- Court proceedings should not be the only way to seize counterfeit goods at the border since litigation is expensive and the black market nature of counterfeiting and piracy, small shipments and mixed brand shipments make court proceedings uneconomical in many cases
- “Simplified Procedures” for product destruction without court order in uncontested cases are provided for in many jurisdictions
 - EU, Australia, and UK dispose of majority of counterfeits seized at the border by way of administrative proceedings
 - EU adopted Regulation 608/2013 January 1, 2014 to improve simplified procedures in Europe, including to make them more effective for dealing with small shipments

Overburden Right Holders?

- Where an RFA has been accepted, a complicated scheme is provided for covering costs of storage and destruction of detained goods that targets right holders before importers of counterfeit goods
- Once proceedings are commenced, the court is expressly given the power to require security from and award damages against a right holder for storage and handling charges, and any other damages sustained by the owner, importer or consignee of the goods as a result of the detention
- While right holders are often willing to contribute to costs, post reasonable security and/or pay fees to assist in covering costs of effective border enforcement against counterfeits, imposing costs may be a disincentive to right holders making RFAs
- Right holders are victims and to the extent practicable liability should be imposed on the counterfeiters

Effective?

- It makes sense to stop counterfeits at the border
- There should be an ability for rights to be tested in the courts if an issue is contested but to provide an effective border regime:
 - provisions allowing for destruction of confirmed counterfeits pursuant to court order or otherwise should be provided whether or not an RFA has been accepted
 - Cost effective administrative proceedings should be provided for dealing with uncontested cases
- Excluding goods being transshipped through Canada and providing importers of counterfeits with the option of re-exporting confirmed counterfeits risks Canada becoming a target for transshipment into North America

Effective?

- Bottom line – it is not clear that the C-8 border measures will prove effective in improving border enforcement against counterfeits entering Canada let alone those transiting the world
- Bill C-8 is still before the Senate, but it is unlikely that there will be further significant amendments

Conclusion

- The updates to Canada's trademark, copyright and anti-counterfeiting regimes are overdue and welcomed
- The amendments provide for ongoing review of the regimes and it is hoped that robust review will quickly lead to amendments addressing issues identified after implementation
- In the meantime, we await passage of some of the provisions and of regulations and customs notices as implementation proceeds

Thank You

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