

**BEER, HEALTHCARE AND ANTI-COUNTERFEITING
IN CANADA:**

TWO OUT OF THREE AIN'T BAD

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SHEPPARD MULLIN FASHION WEEK SEMINAR



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**BEER, HEALTHCARE AND ANTI-COUNTERFEITING IN CANADA:
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I. INTRODUCTION TO NORTH OF THE 49TH PARALLEL

A. Intellectual Property Enforcement in Canada

- Canada's IP enforcement system lags behind the United States and the United Kingdom.
- Canada is a signatory to World Trade Organization (WTO) Agreement on Trade Related Aspects of Intellectual Property (TRIPS) and the North American Free Trade Agreement (NAFTA) but hasn't been effective in providing legal protection against counterfeiting.
- In 2006, Canada was placed on the United States Trade Representative's Watch List along with countries like Thailand, Vietnam and Guatemala. The International Anti-Counterfeiting Coalition recommended that Canada be named a "Priority Country" along with only China.

B. The RCMP and Counterfeiting in the Physical and Online Worlds

- Royal Canadian Mounted Police (RCMP) is Canada's National police force and is charged with criminal investigation of copyright and trademark offences.
- RCMP'S investigative priority is large scale commercial infringement at the manufacturing, importation and wholesale distribution level. Infringement at the retail level, whether bricks and mortar or online, is not an enforcement priority.
- RCMP'S anti-counterfeiting priorities are products with health and safety risks and links to organized crime, not counterfeit apparel.

C. Border Enforcement

- No IP rights recordation system in Canada.
- Canada Border Services Agency (CBSA) customs officers have no authority to seize or destroy counterfeit goods ex officio; will only detain goods pursuant to:
 - (i) a civil court order such as a customs detention order pursuant to Section 53.1 of the Trade Marks Act or Section 44.1 of the Copyright Act; or
 - (ii) an RCMP directive pursuant to the RCMP/CBSA protocol under Section 489(2) of the Criminal Code.
- RCMP's Proceeds of Crime Program excludes Copyright Act offences on the theory that proceeds should be returned to copyright owners rather than forfeited as proceeds of crime.

D. Lack of Deterrent Criminal Penalties and Civil Remedies

- In cases where counterfeiters are prosecuted successfully they tend to pay minimal fines and serve no jail time. See *Ragdoll Productions (UK) Ltd. v. Jane Does et al*, [2003] 2 F.C. 120, at 135.
- Trademark counterfeiting not a specific criminal offence under the Trade Marks Act.
- No statutory damage awards under the Trade Marks Act.
- Canadian courts have construed the criminal trademark provisions of the Criminal Code to require intent to sell goods to purchasers who think the goods are genuine See *R v. Ferjo* (1994), 48 C.P.R. (3d) 223 (Ont. C.A.).

II. TOOLS AND ENFORCEMENT

A. Statutory Trade-mark and Copyright Regimes in Canada

- Both trademark law and copyright law in Canada can be useful tools in protecting word marks, logos, trade names, photographs, fashion designs and copyrighted works.

- Benefits of trademark and copyright registrations in court cases include “reverse onus” and lower burden of proof for copyright owners; infringers are deemed to know they were infringing a registered trademark or copyright and bear the burden of proving otherwise. License agreements can also be registered with the Canadian Intellectual Property Office (CIPO).
- Civil remedies under the Trade Marks Act include injunctions, recovery of damages or profits, the destruction, exportation or other disposition of any offending products, packages, labels and advertising material.
- Civil remedies under the Copyright Act include injunctions, damages, an accounting of profits and delivery up of infringing goods; copyright owner can elect statutory damages (instead of damages and profits) equal to \$500 to \$20,000 per infringed work. In egregious cases, courts will sometimes award punitive and exemplary damages. See *Louis Vuitton v. K2 Fashions*, [2007] F.C.J. No. 1528.
- Criminal remedies under the Copyright Act include maximum fines of \$25,000 and maximum jail sentences of 6 months for summary conviction offences and maximum fines of \$1,000,000 and maximum jail sentences of 5 years for indictable offences.
- Anton Piller orders are often used by IP owners to seize goods on an *ex parte* basis.

B. Industrial Design Law in Canada

- Industrial design law in Canada can potentially be used to protect fashion design.
- Under the *Industrial Design Act*, the “shape, configuration, pattern, or ornament and any combination of those features that, in a finished article, appeal to and are judged solely by eye” are protected.
- If certain requirements are met, protection will last for ten years and will provide the owner with the exclusive right to make, reproduce, or sell the design.
- Note, however, that there are some problems with using this branch of IP law to protect fashion design:
 - Registration is required within one year of publication of the design. This is expensive and time consuming and therefore impractical for designers who create designs that may become obsolete quickly.

- Protection does not extend to design features that are dictated solely by the article's function, and many design features can be construed as features that are solely dictated by a utilitarian function.
- Protection only extends to "original" designs.

III. LIABILITY IN CANADA

A. Landlords/Lessors

- In Canada there is no legal authority for the legal proposition that a landlord is liable for the actions of a tenant, whether jointly, vicariously or otherwise.
- In the absence of complicity between the landlord and the infringer, the act of being a landlord alone is not enough to infer liability for infringement committed by a tenant. See *Davisco International Inc. v. Protase Separations Inc.*, [1996] O.J. No. 3914 (Ont. Sup. Ct.)

B. Indirect Liability

- **ISP Liability in Canada:**
 - While the problem of ISP liability in Canada shares common elements with other jurisdictions, there are differences in how ISP's are protected (or not) under Canadian law:
 - Unlike the United States, there is no Canadian legislative equivalent of the safe harbor provisions for ISPs set out in Section 512 of the Digital Millennium Copyright Act or Section 230 of the Communications Decency Act.
 - Section 2.4 of the *Copyright Act* allows ISPs to argue they should not be liable for certain infringing activities of subscribers and users. The Supreme Court of Canada recently interpreted this provision to state that where an ISP merely acts as a conduit, it is not liable for copyright infringement and can claim the common carrier exception in the Copyright Act. However, the scope of "mere conduit" has largely been untested, and the exception in question is unlikely to insulate ISPs from liability for anything other than copyright infringement. See *Society of Composers, Authors and Music Publishers of Canada v. Canadian Association of Internet Providers*, [2004] S.C.J. No. 44.

- **The Authorization “Right”**

- Section 3(1) of the Copyright Act sets out the exclusive rights of copyright owners, including the sole right to “authorize any such acts.” Accordingly, the authorization of any exclusive acts under Section 3(1) without consent of the copyright owner amounts to copyright infringement.
- Third parties involved in a chain of infringement may be liable for “authorizing” infringement in certain circumstances. The Supreme Court of Canada provided guidelines on what type of activities may be “authorizing infringement” in *CCH Canadian Ltd. v. Law Society of Upper Canada* (2004), 236 D.L.R. (4th) 395:
 - CCH, a publisher of law reports and other legal materials, alleged that a law library was authorizing copyright infringement by operating a service that offered photocopying of cases, articles and other legal materials for the benefit of lawyers conducting legal research.
 - The Supreme Court rejected this argument. Not only had the defendant adopted and publicized a policy that required users to use the machines only for purposes of legitimate research, it also lacked the degree of control over its patrons that would be necessary to show that it “authorized” them to do anything at all.
 - The Court also held that, where a person authorizes the use of equipment that could be used to infringe copyright, it must be presumed (absent evidence to the contrary) that this person authorized the equipment to be used only in accordance with the law.
 - Only where the defendant appears to have “sanctioned, approved, or countenanced” infringing activity will there be liability for authorizing copyright infringement.

C. Secondary Infringement and Grey Market Goods

- In *Euro-Excellence Inc. v. Kraft Canada Inc.*, [2007] SCC 37, the Supreme Court of Canada held that the exclusive licensee of the copyright in the logos for Cote d’Or and Toblerone chocolate bars failed to establish that the defendant, an unauthorized importer of both types of chocolate bars, had engaged in secondary infringement pursuant to Section 27(2)(e) of the Copyright Act.
- If copyright owners/licensors Kraft Belgium and Kraft Scherz had assigned copyright to Kraft Canada rather than proceeding by way of exclusive license, the plaintiff would likely have successfully maintained a claim for secondary infringement.

D. Collecting ISP Subscriber Information in Canada

- Canada's federal privacy legislation, the *Personal Information Protection and Electronic Documents Act* (PIPEDA), places strict limitations on the collection, use and disclosure of personal information.
- Despite the restrictions of PIPEDA, the Federal Court of Appeal has recognized that "the public interest in favour of disclosure must outweigh the legitimate privacy concerns of the person sought to be identified if a disclosure order is made." In a 2005 decision, the court provided a roadmap to obtaining a subscriber's identity from an ISP through a disclosure order. See *BMG Canada Inc. v. John Doe*, [2005] F.C.J. No. 858:
 - In this case, the plaintiff record companies sought an order compelling five Canadian ISPs to disclose the identity of their customers, each of whom used file-sharing software and pseudonyms to illegally download more than one thousand songs over which the plaintiffs had copyright.
 - The court stated that disclosure orders should be granted when a plaintiff establishes a bona fide case for their copyright infringement allegations, and also specified that these orders should be brought to the court expeditiously. These orders should be very restrictive in what information is allowed to be disclosed and how that information is allowed to be used.

E. Cooperation from ISPs, domain registrars, host servers or host websites

- Often, a take-down request to an ISP will result in the removal of infringing material from a website, or at the very least, the subscriber will be forwarded the notice of infringement. However, there is no firm Canadian law (other than agency policies through ICANN or CIRA) surrounding the obligations of the ISP, domain registrars, host servers or host websites.
- A "notice and notice" safe harbor provision was introduced for ISPs in a 2005 copyright reform bill (Bill C-60). The bill was not passed as a result of change of government.
- A new copyright bill is expected to be introduced in the first quarter of 2008 which will likely contain provisions dealing with ISP liability.

F. Enforcement of Online IP Rights in the Canadian Courts

- In certain contexts, enforcement of copyrights or trade-mark rights can stop an infringer from using IP as a domain name or meta-tag:
 - In *British Columbia Automobile Assn. v. Office and Professional Employees' International Union, Local 378*, [2001] B.C.J. No. 151, the Union used BCAA's trade-marks and copyrights in their domain name

(www.bcaaonstrike.com) and website, which had been set up to comment on the ongoing strike.

- Although no trademark infringement was found, and only nominal damages of \$2500 were awarded for copyright infringement, the principles articulated in this case could be used to support enforcement of online IP rights, in cases where:
 - there is misrepresentation that the infringing website belongs to, is endorsed by, or is affiliated with or connected to the plaintiff;
 - there is confusion or possibility of confusion in the minds of a web user that the website is associated with or the property of the plaintiff;
 - where the domain name used by the infringer is identical to the plaintiff's trademarks;
 - where the context of the use of the domain names and meta-tags are identical to the plaintiff's trade name, or where identical meta-tags are used; or
 - where the infringer or infringing website is competing commercially with the plaintiff.

G. Tools for Domain Name Usage in Canada

- The Canadian Internet Registration Authority (CIRA) governs all dot-ca domain names.
- There is no anti-cybersquatting legislation in Canada equivalent to the *AntiCybersquatting Consumer Protection Act*. However, given that bad faith domain names are legitimate problems for intellectual property owners (consumer confusion, misdirected online traffic), CIRA has developed policies to deal better with domain name usage:
 - CIRA has a Dispute Resolution Policy similar to ICANN dispute resolution policies, but adapted to a Canadian context.
 - CIRA imposes Canadian Presence Requirements for all .ca domain names:
 - Any person who wishes to register and maintain a ".ca" domain must be a Canadian citizen, permanent resident, or legal representative thereof; or a corporation, trust or partnership formed under the laws of Canada or any province or territory.
 - This is relevant to pursuing a claim against an infringer on a .ca website, as it indicates that a party involved in the ownership or operation of the domain has a substantial Canadian connection or perhaps even assets in Canada that may be pursued.

H. WHOIS Look-ups

- WHOIS is an electronic look-up service available on the cira.ca website which provides limited information about assigned domain names
 - WHOIS information requirements for .ca domain names are governed by CIRA and are similar to ICANN requirements.
 - Canada shares the same issues with the United States and other jurisdictions in regards to limited or inaccurate information.
 - CIRA is expected to revise its privacy policy for WHOIS information in April 2008 to ensure that their WHOIS policy complies with developed Canadian privacy laws. The new policy would give owners/operators of a website the option of shielding their personal information, which CIRA would only release by court order, and will affect the process of identifying a potential infringer or bad-faith registrant.

IV. JURISDICTION ISSUES

- Canadian courts do not always claim jurisdiction over online disputes, especially in cases where the chain of infringement spreads over many countries and jurisdictions.
- The Supreme Court of Canada examined this question in *Society of Composers, Authors and Music Publishers of Canada v. Canadian Assn. of Internet Providers*, [2004] S.C.J. No. 44.
 - The issue of jurisdiction for Internet disputes was addressed in an appeal of a Copyright Board decision that stated a Canadian court could only impose jurisdiction so long as the content involved was posted on servers involved were located within Canada.
 - The Supreme Court disagreed and overruled the Copyright Board's bright-line test in favour of a more subjective "real and substantial connection" test.
 - Whether a real and substantial connection exists is determined on a case-by-case basis with the examination of factors including: (a) the location of the end user; (b) the location of the host server; (c) the location of the intermediaries; (d) the location of the content provider; and (e) the location of assets.

V. OTHER STRATEGIES

- One of the recommendations contained in the Canadian Anti-Counterfeiting Network's recent *Report on Counterfeiting and Piracy in Canada: A Road Map For Change* is "creating and implementing specialized educational programs, e.g. educating police, customs officers, prosecutors and the judiciary, to assist in sophisticated and efficient IP enforcement and adjudication."
- Sean John launched an anti-counterfeiting campaign in Canada called "DON'T BUY A LIE" (www.dontbuyalie.com). Elements of campaign designed to identify authentic garments and certified dealers include: exclusive hang tags coded by season, point of purchase counter cards and "Authorized Sean John Dealer" decals in storefront windows, and steering online customers to legitimate online stores such as Dr. Jays and East Bay.