

Report on Counterfeiting and Piracy in Canada: A Road Map for Change

Executive Update



Canadian
Anti-Counterfeiting
Network

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A Road Map for Change

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In March 2007, the Canadian Anti-Counterfeiting Network (CACN) released a comprehensive report on counterfeiting and piracy in Canada entitled *A Road Map for Change*. The report offered concrete recommendations to improve Canada's Intellectual Property (IP) regime, many of which were expressly adopted by parliamentary committees studying the issue. This Executive Update reconsiders recommendations in light of subsequent developments, including government initiatives relevant to the issue of counterfeiting and piracy. Many recommendations remain pertinent and serve to underscore the escalating need for an effective regime to address IP crime in Canada.

CACN'S

Updated Recommendations include

1. Providing *law enforcement* with the financial and human *resources* to effectively address counterfeiting and piracy in Canada;
2. Establishing and funding an *Intellectual Property Crime Task Force* to guide and coordinate IP criminal enforcement and IP education initiatives, and providing a formal mandate and resources to relevant government departments and agencies to facilitate participation;
3. Establishing a *consistent reporting system* for cases of counterfeiting and piracy to track statistics and better understand the problem of the counterfeit and piracy in Canada;
4. Educating prosecutors on IP crime and encourage them to *seek more significant penalties* for IP crime offences;
5. *Revising the federal Copyright Enforcement Policy* to target counterfeiting and piracy at the retail level;

6. ***Updating the trade-mark offence provisions in the Criminal Code*** to prohibit importation of counterfeit products or possession for the purpose of trafficking, counterfeiting criminal offence under the ***Trade-marks Act***, and adding all criminal copyright offences to the ***Criminal Code*** to overcome jurisdictional challenges;
7. Strengthening ***civil remedies for copyright and trade-mark infringement***, including statutory damages;
8. Providing ***customs officials with the express authority to target, detain, seize, and destroy counterfeit goods*** on their own initiative and implementing policies promoting the detection of such goods;
9. Clarifying the application of ***secondary liability*** to IP crime offences and civil infringement;
10. Establishing a ***product safety regime*** to specifically address counterfeit products that may present a health and safety risk
11. Amending the ***Food and Drug Act*** to ***address counterfeit pharmaceuticals and therapeutic products***; and
12. Ratifying the ***WIPO Internet Treaties and the Anti-Counterfeiting Trade Agreement (ACTA)*** and bring Canada in line with international standards for enforcing intellectual property rights

Counterfeiting and piracy remains a serious problem which costs the Canadian economy billions of dollars, funds organized crime, risks the health and safety of consumers, and damages Canada's reputation internationally. These recommendations provide the required direction for taking strong and decisive action on counterfeiting and piracy, and we urge the Government of Canada to implement them.



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INTRODUCTION

The Canadian Anti-Counterfeiting Network (CACN) is an organization whose members are united in the fight against counterfeiting and piracy in Canada. Our organization works with governments and law enforcement agencies to raise awareness of the problems of counterfeiting and piracy and supports the Government of Canada's efforts to reform Canada's intellectual property ("IP") legislation.

In March 2007, CACN released a comprehensive report on the problem of counterfeiting and piracy in Canada entitled *A Road Map for Change* (the "Road Map"). The Road Map offered concrete recommendations to improve Canada's IP regime, many of which were expressly adopted by several parliamentary committees studying the issue¹. This Executive Update reconsiders those recommendations in light of intervening developments, including government initiatives relevant to the issue of counterfeiting and piracy. In many cases, our recommendations remain as relevant today as they were almost five years ago, but in some cases they have been refined to reflect the current environment. This update concludes with a set of additional recommendations that address online piracy and product safety.

This set of updated recommendations serves to underscore the escalating need to have an effective regime to address IP crime in Canada. Despite two parliamentary committees unanimously calling for reform and commitments in throne speeches, insufficient changes have been implemented to adequately address the evolving international and domestic trade in counterfeit and pirated products.

¹ See Standing Committee on Public Safety and National Security, *Counterfeit Goods in Canada – A Threat to Public Safety* (Ottawa: Communication Canada, May 2007), online: Parliament <<http://www2.parl.gc.ca/content/hoc/Committee/391/SECU/Reports/RP2985081/securp10/securp10-e.pdf>> [*SECU Report*]; Standing Committee on Industry, Science and Technology, *Counterfeiting and Piracy Are Theft* (Ottawa: Communication Canada, June 2007), online: Parliament <http://www2.parl.gc.ca/content/hoc/Committee/391/INDU/Reports/RP3060548/391_INDU_Rpt08/391_INDU_Rpt08-e.pdf> [*INDU Report*]

REASSESSING THE RECOMMENDATIONS MADE IN A ROAD MAP FOR CHANGE

RESOURCES DEDICATED TO COUNTERFEITING AND INSUFFICIENT CRIMINAL PENALTIES

1.1 Provide the RCMP and the Department of Justice with adequate financial and human resources to effectively address counterfeiting.

The RCMP continues to have primary responsibility for addressing the problem of IP crime in Canada. While there is improved organization, including the appointment of regional coordinators, enforcement resources continue to be an issue. There are no prosecutors dedicated to addressing IP crime, so cases are often handled by federal or provincial prosecutors with little or no experience prosecuting IP offences.

Consequently, few IP crime charges are laid, and few cases are fully prosecuted. Plea bargains often result in small fines, a simple cost of doing business for convicted counterfeiters and pirates. The lack of resources combined with outdated laws makes Canada a lucrative, low risk target for international and domestic IP criminals. **Accordingly, the recommendation is maintained.**

1.2 Adequately fund an Intellectual Property Crime Task Force, composed of police officers, customs officers, and federal prosecutors, to guide and coordinate IP criminal enforcement.

In 2010, several law enforcement agencies and rights-holder groups (including the CACN) established an informal IP crime working group (IPCWG) to provide a forum for the discussion of IP crime enforcement issues. While this initiative is a step in the right direction, the lack of a formal organization or an express mandate for the government departments and agencies is problematic. In the presence of such a mandate, relevant government departments and agencies would be more likely to participate and would be able to interact and co-ordinate with rights-holders more fully.

Moreover, ad hoc initiatives cannot replace government action. There remains a need in Canada for a government task force made up of senior representatives of government departments and agencies similar to the National Intellectual Property Law Enforcement Coordination Council (NIPLECC) and more recently the IP Enforcement Coordinator in the United States, and the Intellectual Property Crime Group in the United Kingdom. **Accordingly, CACN modifies the recommendation as follows:**

1.2.1 Provide a formal mandate to the RCMP, CBSA, the Minister of Public Safety, the Minister of Industry, the Minister of Justice and the Minister of Health to set up an Intellectual Property Crime Task Force with a clear mandate to address cost-effective IP enforcement and education.

1.2.2 Provide a formal mandate and resources for continuation of the Intellectual Property Crime Working Group, providing for effective interaction between the Intellectual Property Crime Task Force and industry.

1.3 Establish a reporting system to provide statistics on and precedents for the Canadian IP enforcement system.

Statistics collected by government bodies must be accessible to other government bodies and rights holders. There have been discussions at the IPCWG regarding the existence of an RCMP database to track prosecutions of IP crime offences. However, the database is not currently available to rights holders. Reports on IP crime such as the RCMP's "Project STRIDER - a National Intellectual Property Crime Threat Assessment, 2005 to 2008"² estimate reported seizures at more than \$63.6 million and expressly recognized "the fact that IP crime is difficult to detect". Comprehensive statistics would make it much easier to understand the scope of the counterfeit and piracy problem in Canada.

Internationally, statistics are kept regarding seizures at international borders. CBSA does not have any mandate for formal reporting on IP crime enforcement at the border. There is no central reporting system tracking IP crime seizures, charges laid by provincial or local authorities, or precedents and judgements. Canadian officials and stakeholders are at a disadvantage when it comes to understanding the true scope of the counterfeiting and piracy problem at the border. **Accordingly, the recommendation is maintained.**

² Royal Canadian Mounted Police, "Project STRIDER - a National Intellectual Property Crime Threat Assessment, 2005 to 2008" (Ottawa: Communications Canada, 2010), online: Government of Canada Publications <http://publications.gc.ca/collections/collection_2011/grc-rcmp/PS64-79-2010-eng.pdf> [RCMP IP Crime Report].

1.4 Immediately encourage prosecutors to seek more significant penalties, including jail time.

Prosecutors continue to tend to treat IP crime cases as minor offences in respect of which pleas in exchange for minimal fines are acceptable. The fines are often lower than the cost of investigating and prosecuting the matter, and are a minor cost of doing business for the criminals. Though the Proceeds of Crime regime is available in these cases, it is seldom used. **Accordingly, the recommendation is maintained as revised below.**

1.4.1 Immediately educate prosecutors on IP crime and encourage them to seek more significant penalties, including jail time.

COUNTERFEIT “RETAILERS” NOT PROSECUTED

2.1 Revise the RCMP/Department of Justice Copyright Enforcement Policy to target copyright piracy and trade-mark counterfeiting at the retail level.

The RCMP’s stated priorities continue to note that “[i]nfringement at the retail level is generally not an enforcement priority in its own right unless the investigation is used to target upward or involves serious health and safety issues.”³ Unfortunately, the result is that counterfeit and pirated products continue to be offered for sale overtly in Canadian markets. The blatant sale of “knockoffs” undermines attempts to educate the consuming public about the seriousness of IP crime.

Even a small retailer with commonly available equipment (a computer and burning tower) may manufacture hundreds or even thousands of pirated digital products in a single day. Retailers now can be the manufacturers of the counterfeit or pirated products being sold.

Online, direct sale to consumers (and domestic retailers) is becoming the norm and is quickly adding to the problem. Shipment of small packages by mail and courier is very difficult to address or intercept. Privacy requirements make it difficult for rights holders to obtain information enabling them to address the problem.

Some initiatives to curb the sale of counterfeit and pirated goods have been taken by law enforcement. However, a permanent solution to these problems requires sustained police engagement. Retail level enforcement, including against online retailers, is a direct way to address the problem. **Accordingly, the recommendation is maintained.**

PROCEEDS OF CRIME LEGISLATION EXCLUDES COPYRIGHT PIRACY

3.1 Remove the Copyright Act from the list of indictable offences excluded from Proceeds of Crime legislation. CACN commends the Government on having implemented this recommendation. **The recommendation has been implemented.**

OUTDATED AND INEFFECTIVE IP CRIME LEGISLATION

4.1 Enact legislation clearly defining trade-mark “counterfeiting” as a specific criminal offence under the Trade-marks Act.

The inadequacy of trade-mark and copyright offence provisions is evident from the preference of police and prosecutors to use fraud charges instead of infringement provisions when prosecuting offences related to sale of counterfeit products. The fact that trade-mark counterfeiting offences are only included in the Criminal Code, typically a provincially enforced statute, and copyright piracy offences are only in the Copyright Act, typically a federally enforced statute, raises jurisdictional challenges that are an impediment to efficient enforcement against IP crime. Federal prosecutors view Criminal Code offences as out of their jurisdiction and provincial and municipal law enforcement officials and prosecutors view copyright enforcement as outside of their jurisdiction. All law enforcement agencies and prosecutors should have full jurisdiction and confidence to deal with all IP crime offences. One way to overcome the current jurisdictional issues is to add trade-mark offences to the Trade-marks Act and copyright offences to the Criminal Code.

Updates are required to existing trade-mark offences to include an express prohibition against importation of counterfeit products. The existing provisions should be amended to make it clear that it is an offence to possess for the purpose of trafficking, offer for sale or sell products that the perpetrator knows are counterfeit.

³ RCMP, “Reporting Intellectual Property Crime”, online: RCMP <<http://www.rcmp-grc.gc.ca/fep-pelf/ipr-dpi/guide-eng.htm#priorities>>.

Consideration should be given to making trade-mark counterfeiting a strict liability offence. In other words, once it is established that the offence has been committed, the onus should shift to the accused to prove that they did not have knowledge regarding the counterfeit nature of the products. This will prevent the possibility of an accused escaping liability merely by turning a blind eye to the questionable source or quality of their products⁴. **Accordingly, the recommendation is maintained as revised below:**

4.1.2 Clarify civil and criminal liability by 1) updating the trade-mark offence provisions in the Criminal Code; 2) clearly defining trade-mark counterfeiting as a specific criminal offence under the Trade-marks Act; and 3) add all criminal copyright offences to the Criminal Code. This will provide full jurisdiction to federal, provincial and municipal law enforcement officials.

4.2 Enact legislation to make the fastest growing source of commercial video piracy – camcording in a theatre – an offence in the Criminal Code.

CACN applauds the passage in 2007 of the Act to amend the Criminal Code (unauthorized recording of a movie). **The recommendation has been implemented.**

4.3 Amend the Radiocommunications Act to address the new forms of signal theft, increase criminal penalties to facilitate effective enforcement, limit importation of satellite receiving and decoding tools, and strengthen civil remedies.

As pointed out in the Road Map, the offence provisions under the *Radiocommunications Act* do not sufficiently address the current *modus operandi* of those dealing in unauthorized decryption devices and software used to decrypt satellite TV signals. Providers of software used in conjunction with devices to decrypt signals argue that software is not “equipment or device, or any component thereof” and is therefore not caught by the offence provisions. Further, the offences are punishable only on summary conviction and resulting penalties are nominal and pale in comparison to the profit made by the traffickers in decryption devices and software. **Accordingly, the recommendation is maintained.**

4.4 Enact criminal legislation clearly defining offences for commercial circumvention activities (including trafficking in circumvention devices) and treat those activities as well as the commercial distribution of pirated digital works as a criminal enforcement priority; enact civil legislation that clearly makes persons who distribute pirated works and persons who manufacture and/or distribute counterfeiting tools, such as mod chips, liable for contributory copyright infringement.

CACN applauds the introduction of strong provisions directed against circumvention of “technological protection measures” in Bill C-11, the *Copyright Modernization Act*, which if implemented as drafted would go a long way towards implementing our recommendation. The clear prohibitions on trafficking in circumvention devices or offering circumvention services contained in Bill C-11, along with accompanying civil and criminal sanctions, will permit rights holders and law enforcement to go after traffickers who are knowingly profiting by facilitating widespread piracy. Any limitation of these provisions to “knowing” infringers will allow offenders to escape liability by merely denying their intention to enable infringement, rendering the provisions ineffective.

CACN is concerned that the broad nature of some of the circumvention exceptions contained in Bill C-11 will impact the effectiveness of the trafficking and services prohibitions. For instance, exceptions permitting circumvention services and products for the purposes of making computer programs interoperable may be abused by hackers who claim their intention is to make non-infringing programs interoperable, despite knowledge that the service or device is actually being used by customers to facilitate use of pirated copies of software. To avoid this, CACN recommends clarifying these exceptions by limiting their application to the act of circumvention (as is done in other jurisdictions) or, at the least, making it clear that the exceptions do not apply if the provider of the circumvention product or service knows (or should have known) that the service or device is being used to facilitate infringement.

In addition, CACN recommended enactment of clear legislation making those who distribute circumvention products and services and those who distribute pirated works liable for contributory copyright infringement. Existing and proposed legislative provisions implement this recommendation to an extent, but, as discussed in 5.1 and 8.1, in a highly inconsistent manner. **Accordingly, this recommendation is maintained.**

⁴ For instance, in one case a pharmacist who had been selling counterfeit heart medication and had been implicated as a possible cause in several deaths was acquitted because it was not established beyond a reasonable doubt that he knew the products were counterfeit. See Betsy Powell, “Troubling case of fake pills”, Toronto Star (27 October 2007), online: Toronto Star <<http://www.thestar.com/specialsections/counterfeiting/article/269400--troubling-case-of-fake-pills>>.

LACK OF EFFECTIVE ANTI-COUNTERFEITING CIVIL REMEDIES

- 5.1 **Strengthen civil remedies for counterfeiting. In particular, the civil legislation should provide for: (i) statutory damage awards, including minimum “floor level” damage awards and heightened damage awards for wilful or repeat offenders; (ii) specialized injunctions and seizure orders upon proof of counterfeit activities; and (iii) summary enforcement proceedings.**

While case law and amendments to the Federal Courts Rules have simplified summary enforcement proceedings, much needs to be done to strengthen civil remedies.

On June 20, 2007, the Standing Committee on Industry, Science and Technology (“INDU”) tabled its report, *Counterfeiting and Piracy are Theft* in the House of Commons. The Committee recommended strengthening civil remedies for counterfeiting and piracy infringements⁵. The Government response was positive, but no steps have been taken to implement these recommendations⁶.

While CACN applauds the reintroduction of Bill C-11 and the principles behind it, CACN is deeply concerned that the proposed new two-tier system for statutory damages is a step backwards and will be abused by those who facilitate widespread piracy on a “non-commercial” basis. Many individuals and organizations that facilitate widespread piracy (such as “warez” or release groups) do not do so for profit but rather to build their reputation amongst the online piracy community. As their activities could be seen as technically “non-commercial”, we are deeply concerned that they would benefit from a system clearly intended to limit the liability of individual consumers engaging in private use. CACN recommends eliminating the new, multi-tiered system, and instead focussing on the factors that courts must consider when determining the amount of the award, such as the need for an award to be proportionate. At a minimum, the lower tier of statutory damages must not apply to infringements resulting from uses that are not private uses of an individual.

It is another perverse feature of Bill C-11 that although statutory damages are available against a secondary infringer or a trafficker in circumvention devices or services, they are not available against enablers. This inconsistent approach undermines the effectiveness of new enabling infringement provisions.

In general, the lack of effective civil remedies in counterfeiting cases means that it is very difficult for many brand owners to engage in meaningful civil enforcement activities. For many businesses dealing in counterfeit or pirated goods, exposure to civil remedies currently available in Canada is simply a cost of doing business.

Canada has now signed the Anti-Counterfeiting Trade Agreement (ACTA). Accordingly, the Government will need to consider introducing legislation to implement the agreement. As a starting point, legislation should be introduced to provide for statutory damages in trade-mark cases.⁷ Specialized injunctions and seizure orders upon proof of counterfeit activities and summary enforcement proceedings are also required if there is to be an effective regime in Canada for the enforcement of civil rights in counterfeiting cases. The ability of a rights holder to obtain court orders requiring third parties (e.g. ISPs) to prevent infringing goods from entering the chain of commerce is a further remedy required by ACTA that will need to be implemented. **Accordingly, the recommendation is maintained.**

DISEMPOWERMENT OF CUSTOMS OFFICIALS

- 6.1 **Implement legislation clearly prohibiting the importation of counterfeit goods.**

- 6.2 **Provide the CBSA with the express authority to target, detain, seize, and destroy counterfeit goods on its own initiative and to implement policies promoting the detection of such goods, such as mandatory reporting of brand information with shipments.**

⁵ INDU Report, supra.

⁶ Government of Canada, Government Response to the Eighth Report of the Standing Committee on Industry, Science and Technology (Ottawa: Communication Canada, 2007) <<http://www2.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=39&Ses=1&DocId=3077762&File=0>>..

⁷ Anti-Counterfeiting Trade Agreement [ACTA], Article 9, paragraphs 3(a) and (b).

⁸ ACTA, Article 8, paragraph 1.

- 6.3 Formalize intelligence sharing and investigative enforcement management through cooperation between the RCMP and CBSA.
- 6.4 Make provisions for the disclosure of information and the provision of samples to IP rights holders for the purposes of determining whether detained goods are counterfeit and enabling IP rights holders to exercise civil remedies.
- 6.5 Introduce administrative fines for the importation or exportation of counterfeit goods. The fines should be set sufficiently high to act as an effective deterrent.
- 6.6 Adopt a recordation system whereby IP rights holders may record their rights with CBSA and highlight “high-risk” products that are known or likely counterfeit targets.

These original Road Map recommendations are addressed collectively in this update. The harsh reality is that despite a number of Government reports encouraging action⁹, recommendations from CACN and other groups and almost five years of continued border infringement, Canada has no effective system for dealing with counterfeit and pirated goods at the border.

The World Customs Organization (WCO) emphasizes that customs officers are in the best position to protect external borders and prevent importation of counterfeit goods. Statistically, customs officials make 90% of all seizures of counterfeit goods in Europe, and more than 70% worldwide.¹⁰ Unfortunately, customs officials in Canada are hindered by the fact that they do not have the authority to seize suspected counterfeit or pirated goods. CBSA may only detain goods if the IP holder has obtained a court order, or if the RCMP or local police agree to seize the goods. In addition, unlike some of our trading partners, there is no Canadian legislation that clearly prohibits the importation of counterfeit goods, and there is no system of registering IP rights with the CBSA.

The need to empower customs officials was recognized in reports by two standing committees. Both committees recommended that the Government: (i) introduce penalties sufficient to deter the importation of counterfeit products into Canada; and (ii) expand the mandate of the CBSA to permit border officials to search and seize counterfeit and pirated goods, and to impound or destroy the goods in accordance with the law. This has now been endorsed by ACTA which requires implementation of legislation that provides for effective border enforcement of intellectual property rights¹¹ and permits customs officials to act on their own initiative to suspend the release of suspect goods.¹²

In addition, the Standing Committee on Public Safety and National Security (SECU) in Counterfeit Goods in Canada – A Threat to Public Safety, recommended amending the Trade-marks Act and Copyright Act to formally prohibit the importation of counterfeit products into Canada. It also recommended that the Customs Act be amended to allow CBSA officers and intellectual property owners to exchange information, and to establish a registration system to register IP rights with the CBSA.

The INDU Report recommended that intelligence sharing between the CBSA and the RCMP be formalized, and that information and samples to be released to IP rights holders for the purposes of determining whether detained goods are counterfeit or pirated and to enable them to exercise civil remedies.

The Government Responses to both reports were positive¹³, but no steps have been taken to implement the recommendations. **Accordingly, all of these recommendations are maintained.**

⁹ See SECU Report, supra; INDU Report, supra.

¹⁰ The WCO and the protection of Intellectual Property Rights (IPR), online: World Customs Organization <http://www.wcoomd.org/home_wco_topics_epoverviewboxes_responsibilities_epipr.htm>.

¹¹ ACTA, Article 13.

¹² ACTA, Article 16, para 1(a).

¹³ See Government of Canada, Government Response to the Tenth Report of the Standing Committee on Public Safety and National Security, online: Parliament “<http://www2.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=39&Ses=1&DocId=3077762&File=0>” <http://www2.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=39&Ses=1&DocId=3077762&File=0>; INDU Response, supra.

TRouBLING ETHICS: THE CULTURE OF PIRACY IN CANADA

7.1

Establish a federal Intellectual Property Coordination Council consisting of senior civil servants and IP rights holders whose key objectives would include: (i) creating and implementing educational programs, with emphasis on Canadian youth, that teach the rationale for and importance of intellectual property; (ii) communicating with IP right holders to ensure that their IP needs are being met by the current application of the laws; (iii) developing broad-based marketplace framework policies that focus on sustaining and growing the creation and exploitation of IP in Canada; (iv) ensuring that all government departments recognize the importance of IP in the creation and development of strategies designed to make Canada more competitive and innovative; and (v) creating and implementing specialized enforcement educational programs, e.g., educating police, customs officers, prosecutors, and the judiciary, to assist in sophisticated and efficient IP enforcement and adjudication.

Generally, there is a lack of understanding as to the importance of effective enforcement against IP crime by bureaucrats, customs and law enforcement officers, prosecutors and even, at times, the judiciary. The fact that counterfeiting and piracy constitute the most blatant form of unfair competition seems to be overlooked, as does the fact that counterfeiters and pirates are criminals whose activities frequently support organized crime, terrorism and indentured labour.

The education system in Canada, unlike many other countries, does not teach even the basics of intellectual property. Recent reports have identified a lack of innovation as a cause for deteriorating productivity in Canada. *The Future of Productivity - An Eight Step Game Plan for Canada*¹⁵, emphasizes education as the first action in an eight action plan to improve productivity. They recommend “the development of new content that equips the next generation with an awareness of entrepreneurial opportunities and seeds the skills to intelligently measure and manage risk” (p. 33).

A federal intellectual property coordination council consisting of senior civil servants and rights holders should be created and coordinate with provincial authorities with a view to discussing an innovation and IP curriculum for schools in Canada. Such a coordination council would facilitate development of IP policy, understanding of IP laws and may foster a general respect for IP. They could consider and implement programs directed to specific enforcement issues, such as product identification training for police and customs officers, as well as substantive educational programs for prosecutors and the judiciary.

Teaching the benefits of embracing innovation and IP will affect the IP culture in Canada. Understanding and respect for the IP systems in place in Canada, including the copyright regime in particular, should significantly diminish the culture of piracy in Canada. In short, educational efforts should be a priority of any IP crime strategy. **Accordingly, the recommendation is maintained.**

ADDITIONAL RECOMMENDATIONS / ONLINE PIRACY

8.1

Clarify the application of secondary liability to IP crime offences

Canadian Internet Service Providers (ISPs), as the gatekeepers of the Internet, play a key role in Canadian Internet piracy, and should bear some responsibility in the fight against piracy. Currently the scope of liability for ISPs is unclear, and consequently it creates an incentive for online retailers and distributors of counterfeit and pirated products (and circumvention devices) to migrate to Canadian ISPs to facilitate the operation of their illegal businesses. To ensure that operations that induce or materially contribute to copyright infringement cannot continue illegal operations from Canada, and ensure that law abiding ISPs have the benefit of safe harbours, the government must clarify the application of “secondary liability” to IP crime offences. The “enabling infringement” provisions in Bill C-11 are a positive step in this regard. However, the current provision only applies to sites “designed primarily to enable acts of copyright infringement”, which may allow sites that are not designed to enable piracy but are operated or used in manner that facilitates piracy to escape liability. The provision needs to be amended to ensure that it applies to sites that are designed, operated or used primarily to enable or induce acts of copyright infringement or which induce acts of copyright infringement. Further, provisions dealing with secondary liability for those aiding and abetting trade-mark infringement are required.

Sites and services, and their operators, which intentionally encourage, induce or materially contribute to copyright infringement have been successfully prosecuted around the world using secondary liability doctrines, and the Copyright Act should make it clear that similar services which operate in Canada do not do so under the protection of a safe harbour. Accordingly, the safe harbour provisions provided in any amended Copyright Act should not be available where the network service provider, host, cache operator or information location tool knowingly enables copyright infringement. However, under Bill C-11, hosting services and information location tools still benefit from the safe harbour even if they enable infringement, and this needs to be changed. Similar principles should also apply to those enabling trade-mark counterfeiting.

We are also concerned regarding the long-term effectiveness of the “Notice and Notice” regime implemented in Bill C-11. While we acknowledge the educational benefits of notices in individual cases of infringement, unless there is a some form of sanction for non-compliance we are deeply concerned that notices will simply be ignored. We remain of the view that “Notice and Takedown” is a more effective solution for individual instances of infringing content hosted or stored on a system or network, while “Notice and Notice” with escalating consequences is more effective for transitory network communications (such as peer-to-peer filesharing networks).

¹⁵ Deloitte, *The Future of Productivity - An Eight Step Game Plan for Canada* (June 2011), online: Deloitte: <http://www.deloitte.com/assets/Dcom-Canada/Local%20Assets/Documents/Consulting/ca_en_productivity_complete_150611.pdf>.

PRODUCT SAFETY LEGISLATION MUST ADDRESS COUNTERFEITS

9.1 Establish a product safety regime to protect the health and safety of Canadians from counterfeit products
CACN congratulates the Government on the passing of the *Canada Consumer Product Safety Act* (CCPSA). The *Act* updates the *Hazardous Products Act* to, among other things, expressly prohibit packaging or labeling consumer products in a manner creating an erroneous impression regarding danger to human health or safety, and prohibits the misrepresentation or counterfeiting of safety certification marks or compliance with safety standards or regulations. The prohibitions clearly cover unauthorized use of certification marks, including CSA and UL marks, and should cover counterfeit copies of branded products that present a danger to human health or safety not presented by the products they fraudulently knock off. Implementation of the *Act* is proceeding and CACN urges the Government to continue providing sufficient resources in order to fully realize the aims of the legislation. Further legislation is required to specifically address other counterfeit products that may present a health and safety risk, such as counterfeit pharmaceuticals and counterfeit products used for non-consumer purposes.

CACN strongly believes that enacting specific provisions providing increased penalties for trafficking in counterfeit products raising health, safety or environmental concerns would not only assist in deterring the problem, but would also enhance the awareness of consumers. CACN accordingly recommends that legislation be adopted that expressly provides for increased penalties against manufacturers or traffickers of counterfeit products that present a danger to human health or safety, or to the environment.

9.2 Amend the *Food and Drugs Act* to specifically address counterfeit pharmaceuticals
Counterfeit pharmaceuticals are a huge problem around the world, and Canada is not immune. Trafficking in counterfeit drugs has been linked as a contributing factor in the deaths of numerous Canadians and has been found to be the cause of at least one death. CACN strongly recommends adopting new amending legislation, similar to Bill C-51 which was introduced in 2008 but died on the order paper, which will add strong enforcement provisions and penalties in respect of any manufacturing of, or trafficking in, counterfeit versions of any products regulated under the *Food and Drugs Act*, particularly pharmaceutical or therapeutic products.

WIPO INTERNET TREATIES AND ACTA IMPLEMENTATION

10.1 Ratify the *WIPO Internet Treaties* and the *Anti-Counterfeiting Trade Agreement* (ACTA) and bring Canada in line with international standards for enforcing intellectual property rights

While Canada first signed the WIPO Copyright Treaty and Performances and Phonograms Treaty (collectively, the WIPO Internet Treaties) in 1997, it still cannot formally ratify them until it has implemented the proposed reforms of the *Copyright Act*. CACN urges the Government to adopt its proposed technical changes to C-11 and move forward quickly with implementing the legislation and ratifying the WIPO Internet Treaties.

Further, in September 2011 the Government of Canada signed ACTA. ACTA contains many provisions which, if effectively implemented, would improve the IP regime in Canada. In addition to the provisions already specifically mentioned in this report, the CACN urges the Government to implement the legislative revisions that are required under ACTA and to fund border officials and law enforcement agencies sufficiently so those laws can be effectively enforced.

CONCLUSION

Counterfeiting and piracy remains a serious problem which costs the Canadian economy billions of dollars, depresses innovation, funds organized crime, risks the health and safety of consumers, and damages Canada's reputation internationally. The recommendations presented in this Executive Update provide the required direction for taking strong and decisive action on counterfeiting and piracy. These recommendations provide a tremendous opportunity for the Government to demonstrate its commitment to economic prosperity, innovation and competitiveness, and are consistent with its key priorities of cracking down on criminals and strengthening our borders. The CACN remains committed to supporting the Government's efforts to reform our IP laws and to cooperate with industry to establish a modern and effective intellectual property regime through law enforcement and prosecutorial training, public education, and enforcement.

¹⁶ Canwest, "Counterfeit pills killed B.C. woman: coroner" (6 July 2007), online: Canada.com <<http://www.canada.com/topics/news/national/story.html?id=95d20b51-ef24-4839-88f7-9e53c479372a&k=39706>>.



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