

## ENFORCING TRADE-MARK RIGHTS THROUGH THE CRIMINAL CODE

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**Introduction.** Section 409(1) of the Canadian *Criminal Code* makes it an offence for a person to have in his possession or to dispose of, a die, block, machine or other instruments designed or intended to be used in forging a trademark. Related sections of the *Criminal Code* set out the definition of forgery of a trade-mark as being the reproduction in any manner of a trade-mark or a mark so nearly resembling it as to be calculated to deceive, or to falsify in any manner a genuine trade-mark.

These seldom invoked provisions of the *Criminal Code* relating to trade-mark infringement were placed under scrutiny in a very recent decision of the Criminal Division of the Court of Quebec in *R. v. ImPenco Ltd.* (November 7, 1990, Que. Ct. - Crim. Div.).

**Relationship of the Parties.** Impenco is a manufacturer of boxes of all kinds and is not engaged in any business related to the potential contents of the boxes that it manufactures.

The complainant was Seiko Time Canada Inc. ("Seiko"). Seiko is a registered user in Canada of the trade-mark "Seiko" which is owned by Hattori Seiko, a Japanese Corporation. It was noted in the court's judgment that Hattori Seiko does not own a trade-mark with respect to boxes and that its registered user, the complainant in the case, did not deal in boxes. It was found that the manufacture of boxes was an activity that was completely foreign to the business of the complainant.

Originally Seiko had contracted with Impenco for the manufacture of boxes designed to contain watches sold directly by Seiko. The parties then had a falling out over prices and they stopped doing business together, at Seiko's

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request. The court found that once Seiko advised Impenco that it no longer wished to order boxes from it, in early 1984, Impenco immediately removed the mould, which had been furnished by Seiko, from its moulding machined, stored it with a number of moulds in the back of its plant and never produced any order with it again. It appeared from the evidence that the mould in question was obsolete, of little value, and that Seiko made no serious attempt to retrieve it.

After the termination of the relationship between Seiko and Impenco, Impenco continued to manufacture boxes bearing the name "Seiko" but used its own moulds and moulding to do so.

**Findings of Fact.** Subparagraph 2 of section 409 of the *Criminal Code* foresees a good faith defence which may be invoked by the accused to negate the *mens rea* that seems to be required in paragraph 1 of the said section. It was important, therefore, that the accused demonstrate that it manufactured the Seiko boxes in the ordinary course of its business. In fact, the accused successfully demonstrated to the court that it was in good faith at all times since the watch boxes that were manufactured were clearly identified as having been manufactured by Impenco Ltd. This was done by means of an engraving to this effect which appeared on the underside of each box it manufactured. In fact, Impenco even made reference to the number of the mould it used for making each box. The court took these findings as a demonstration that Impenco openly manufactured its boxes and had no intent to hide their origin.

Impenco applied the name "Seiko" to its boxes through the use of a small die which fitted onto the Impenco moulds, and which was removable at will. At trial Seiko was obliged to admit that the boxes Impenco had sold bearing the Seiko mark, were sold to dealers of authentic, albeit "grey market", Seiko watches. It was also established that Seiko had never authorized the purchasers of Impenco's boxes to sell Seiko watches in Canada.

Seiko had already lost a Supreme Court decision on the question of parallel importation or grey marketing of goods and as such, could not pursue the purchasers of Impenco's boxes. Seiko decided, instead, to attempt to stop the practice of the sale of authentic Seiko watches obtained from sources other than Seiko by invoking the provisions of the *Criminal Code* relating to trade-mark infringement and the forgery of trade-marks.

**Legal Aspects Considered.** Various legal aspects of trade-mark law were considered by the court in rendering its judgment. The court had first to determine what the meaning of the word "trade-mark" was to be under the

*Criminal Code*. It was submitted by Impenco, and accepted by the court, that the word "trade-mark" in the provisions relevant to the case carried the same meaning as that in the *Trademarks Act*. The court reaffirmed the principle that the accused in such cases, is not deprived of the benefit of the defences that are open in a civil action for infringement. Impenco was permitted, therefore, to argue that the owner of a trade-mark who filed a complaint under section 409 in such cases, has no rights as against the accused under the law relating to trade-marks in the civil sphere.

The court in its judgment made much reference to *Consumers Distributing Co. Ltd. v. Seiko Time Canada Ltd.* (1984) 1 S.C.R. 583 in which Seiko argued to restrain the Consumers Distributing Company from selling Seiko watches when it was not an authorized dealer. Consumers was in the business of selling genuine Seiko watches but had obtained them outside of Seiko's distribution network. The Supreme Court of Canada dismissed Seiko's action on this point. Impenco, therefore, argued that if Seiko would have no recourse against it under the *Trademarks Act* nor pursuant to the extended doctrine of "passing off", then it had no right as a complainant under the *Criminal Code*.

It was underlined by the court in its judgment that the company that owns the trade-mark registrations, Hattori Seiko of Japan, manufactures authentic watches and sells them to persons who in turn sell the same watches in Canada outside of Seiko Canada's distribution network. The court held that this was not the fault of the accused herein.

Impenco argued that a judgment in favour of the Crown would amount to blocking unauthorized dealers of genuine Seiko watches by attacking the company that prepares the boxes in which those otherwise legal watches were to be sold to the public.

It was further submitted by Impenco, and accepted by the court, that infringement may only be found in respect of spurious goods. The court concluded that since the Supreme Court had held that grey market vendors act legally and in accordance with Canadian competition principles, and these same vendors happen to be the customers to whom Impenco sells boxes marked with Seiko's name, then Seiko had no rights against the defendant corporation with respect to infringement.

**Legal Findings.** The lack of a criminal intent is, therefore, a defence which is open to an accused in these cases. Such a defence exists in addition to the good faith defence foreseen in section 409(2) and the defence of consent of the trade-mark owner.

After considering all of the evidence, the court found that a criminal intent had not been proved. It also found that the accused had acted in good faith and in the ordinary course of its business. Finally, the court concluded that the owner of the trade-marks had consented, at least tacitly, to Impenco's use of same.

The court inferred Seiko's consent from the manner in which it operated its distribution system. In effect, Seiko dealers, both authorized and unauthorized are responsible for the packaging and display of the Seiko watches that they sell. In fact the court went so far as to state that the Crown in such cases, has the burden of proving that the owner's consent had *not* been given.

**Conclusion.** This case is one of the only cases we know of that specifically concerns section 409 and the related provisions of the *Criminal Code*. It should, therefore, be of particular interest to any party wishing to use the *Criminal Code* with a view to enforcing its trade-mark rights in the Canadian market-place.

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