

## CRIMINAL LAW IN AID OF TRADEMARKS SOME PRELIMINARY THOUGHTS

by

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### Introduction

The vast majority of trademark owners in Canada enforce their rights against alleged infringers in the Civil Courts. In certain situations, however, it may prove of interest to trademark owners to take advantage of the provisions of the *Criminal Code* with respect to the protection of trademark rights. Once a complainant in a criminal case succeeds in getting past the obstacles inherent in criminal proceedings, such as convincing a Crown prosecutor to proceed with criminal prosecution, notwithstanding the institution of a concurrent civil suit, the fact that no damages are to be expected as a victim under the relevant provisions and the difficult burden of proof that results from the wording of said provisions, it may, in certain cases, be advantageous to proceed in this manner.

The potential prison sentences and fines foreseen by the *Criminal Code* in matters of trademark infringement may, in certain cases, prove to be more influential on the conduct of an infringer or potential infringer than a simple injunction or order for the payment of nominal damages, which, in the case of fly-by-night operations, is often not worth the paper it is printed on in any event.

There is also the question of the cost of proceeding in a civil case for a potential useless injunction and damage award, when the Crown will prosecute a criminal case at the expense of the state. Finally, one must

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consider the potential advantage of evaluating the extent of infringement through the use of the search and seizure provisions of the Criminal Code.

In this paper, we will provide an overview of several of the provisions of the *Criminal Code* dealing with trademark enforcement, and discuss several elements of the extremely limited jurisprudence that exists to date on this question.

## 1.0 Offenses Created by the Criminal Code

To commence with, we shall review the substantive provisions of the *Criminal Code*, which concern us here, as well as those dealing with the power of search and seizure.

As is the case for all of the *Criminal Code* provisions to be discussed in this paper, the word "trademark", as used in the *Criminal Code*, has the meaning assigned to it in the *Trade-marks Act*, in accordance with subsection 4(4) of the *Criminal Code* and *R. v. Strong Cobb Arner of Canada Ltd.* (1973), 16 C.C.C. (2d) 150 (Ont. C.A.).

### 1.1 Forging Trademarks

Sections 406, 407 and 409 of the *Criminal Code* deal with the forging of trademarks and the instruments that may be used in forging a trademark.

Section 406 defines what it means to forge a trademark, and reads as follows:

"For the purposes of this Part, every one forges a trade-mark who  
(a) without the consent of the proprietor of the trade-mark, makes or reproduces in any manner that trade-mark or a mark so nearly resembling it as to be calculated to deceive; or  
(b) falsifies, in any manner, a genuine trade-mark."

It is not clear what the legislator meant by the expression "genuine" trademark at sub-paragraph (b) of section 406. As such, we must agree with Fox that the word is probably "mere, unmeaning surplusage."<sup>1</sup>

The offence for the forging of a trademark is created at section 407, which reads as follows:

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<sup>1</sup> Harold G. Fox, *Criminal Offenses under the Canadian Trade Marks Act*, Vol. 25, Section 1, C.P.R., at p.p. 111-112.

"Every one commits an offence who, with intent to deceive or defraud the public or any person, whether ascertained or not, forges a trade-mark."

We note that the Crown must prove the criminal intent on the part of the accused to deceive or defraud the public or any person. Apart from this question of deceit or fraud, trademark practitioners will recognize, in this offence, protection against what we would normally and generally refer to as trademark infringement. The Crown must therefore, in the case of the forging of a trademark, first prove that the trademark under review was made or reproduced, or a near resemblance was made or reproduced. In the case of a resemblance, it must be made or reproduced as to be calculated to deceive.

Furthermore, such reproduction, or making of an identical or resembling trademark, must be effectuated without the consent of the proprietor. This constitutes a further burden on the part of the Crown.

However, the Crown seems to have an additional burden with respect to the mental element of the infraction, as created by section 407. The Crown must prove that the accused carried out the forgery described in section 406, which physical act includes the elements referred to above, with the intent to deceive or defraud the public or any person. The wording of section 407 suggests that such person must not necessarily be identifiable, and it is not necessary to prove that any person, identifiable or not, was in fact deceived or defrauded by the accused.

## **1.2 Instruments for the Forging of a Trademark: Subsection 409(1)**

Subsection 409(1) deals with instruments used for forging trademarks and reads as follows:

"Every one commits an offence who makes, has in his possession or disposes of a die, block, machine or other instrument designed or intended to be used in forging a trade-mark."

The instruments referred to in this section are to be used in the forging of a trademark, the definition of which we have noted in our review of section 406. This offence seems to be subordinate to the offence created for forgery at section 407. It would appear that for the Crown to establish that someone has forged a trademark, evidence in the form of instruments used for the forging of a trademark would, in many cases, be a prerequisite for a finding of forgery under sections 406 and 407.

The offence created in subsection 409(1) seems rather large in scope at first blush. The instruments listed in said provision need not be both designed and intended to be used in forging a trademark, but, as is stated in the provision, the Crown may make out its case if they are designed or intended to be used in forging a trademark. It would appear that the Crown must prove that the accused knows that the instruments are of such a quality as to be able to forge trademarks.

Subsection 409(1) is tempered by the good faith defence set up in subsection 409(2), which states:

"(2) No person shall be convicted of an offence under this section where he proves that he acted in good faith in the ordinary course of his business or employment."

It is submitted that the good faith defence, set up in subsection 409(2), exists in addition to all of the other defences available to the accused, including, but not limited to, the general defence of good faith.

It appears that section 409 created an offence with a view to enjoining a person from dealing in an object that may be used to deceive another person in regards to a trademark right. Given that we are in matters of criminal law, we would also suggest that the *raison d'être* of the instrument, for its possession to lead to a conviction, must have been to be used as a means of deceiving the public with respect to the complainant's trademark.

### **1.3 Passing Off**

Section 408 creates an offence with respect to the common law tort of passing off.

This section should be of particular interest to owners of trademarks used in association with the sale of luxury goods, for example. It reads as follows:

"Every one commits an offence who, with intent to deceive or defraud the public or any person, whether ascertained or not,

(a) passes off other wares or services as and for those ordered or required; or

(b) makes use, in association with wares or services, of any description that is false in a material respect regarding

- (i) the kind, quality, quantity or composition,
- (ii) the geographical origin, or
- (iii) the mode of the manufacture, production or performance of those wares or services."

We see therefore that a person who applies a false notice of origin on, for example, luxury luggage may be subject to criminal proceedings under section 408. We must presume that if there is no definition of passing off in the Act, except that which is found at section 408 in the description of the infraction, then we are to understand that the definition of passing off, especially as the term is used in subsection 408(a) of the *Criminal Code*, should adhere to that which is prevalent in the state of the civil law at the time of the alleged infraction. It is submitted that this view is consistent with the spirit of the *Strong Cobb Arner* case and subsection 4(4) of the *Criminal Code*, as well as with the *Cuttenden* case, which will be discussed below.

## 2.0 Availability of Defences Known in the Civil Sphere

As mentioned previously, the word "trademark", in the provisions relevant to trademarks in the *Criminal Code*, carries the same meaning as that which is given in the *Trade-marks Act*. This dictates that all questions of the substantive rights relating to trademarks, in criminal cases, must be decided in accordance with the rights stemming from the *Trade-marks Act*.

It is also a recognized principle in criminal trademark cases that defences, which may be raised with respect to a trademark in civil cases, may also be raised in criminal proceedings. For example, where the complainant bases itself on a trademark which the accused considers null or invalid, on whatever grounds recognized by the civil law to this effect, then it is open to the accused to make proof to the effect that the trademark is invalid, or simply argue it, and even create a burden on the part of the Crown to demonstrate that the mark of the complainant had been validly registered and, in fact, was being continuously used in Canada in accordance with the relevant provisions of the *Trade-marks Act*.

This principle that the accused is not deprived of the benefit of defence open to him in a civil action, was stated in the case of *The King v. Cruttenden* (1905), 10 C.C.C. 223 (Ont. C.A.). At page 227 of said decision, the Honourable Justice Moss stated as follows:

"(...) but the defendant is not to be deprived of his rights because of the form in which the proceedings have been launched

against him. He ought not to be deprived of the benefit of defence which would be open to him in a civil action. (...) The defendant is not driven to an application to remove the trademark from or to rectify the register."

The principle set up by the *Cruttenden* case allows, therefore, an accused, under sections 407, 409 and 410 of the *Criminal Code*, to demonstrate that the purported owner of the trademark who files a complaint under any of these sections has no rights against the accused, under the law relating to trademarks in the civil sphere. An extension of this principle would perhaps dictate then that the Crown must demonstrate, as part of its initial burden of proof, that the complainant is in a position to invoke rights foreseen under the *Trade-marks Act* against the accused, in any given case. It may even be said that if the complainant is proven to have no recourse against the accused under the *Trade-marks Act*, or as it concerns passing off, under the common law or civil law, then it has no rights at all as a complainant under the *Criminal Code*.

It is suggested that, for strategic reasons, an accused should raise this question, if it is to be raised at all, following the evidence of the Crown on a motion for non-suit. This said, it becomes evident that both the Crown and defence counsel ought to be prepared, in trademark cases based on the *Criminal Code* proceedings we are discussing, to educate the Court as to the actual civil law rights of the parties to establish whether, in the civil sphere, the plaintiff would have any rights or recourse against the accused, in the civil courts. Questions of infringement must be debated since, for example, section 409 of the *Criminal Code*, in particular, would appear superfluous and almost meaningless if it could be said that the legislator would allow a conviction under said provision in cases where infringement, or even potential infringement, did not even exist.

Again, we suggest that the same reasoning should apply to passing off cases.

## 2.1 Other Offences Relating to Trademarks

We shall terminate this part of the discussion with a rapid overview of sections 410 and 411 of the *Criminal Code*, which read as follows:

"Every one commits an offence who, with intent to deceive or defraud,

(a) defaces, conceals or removes a trade-mark or the name of another person from anything without the consent of that other person; or

(b) being a manufacturer, dealer, trader or bottler, fills any bottle or siphon that bears the trade-mark or name of another person, without the consent of that other person, with a beverage, milk, by-product of milk or other liquid commodity for the purpose of sale or traffic."

"Every one commits an offence who sells, exposes or has in his possession for sale, or advertises for sale, goods that have been used, reconditioned or remade and that bear the trade-mark or the trade-name or another person, without making full disclosure that the goods have been reconditioned, rebuilt or remade for sale and that they are not then in the condition in which they were originally made or produced."

Section 410 in its introduction creates an offence which requires an intent to deceive or to defraud. Subsection 410(a) is rather straight forward and should not require any significant discussion. However, subsection 410(b) appears on its face to be a little more problematic for an intellectual property practitioner.

It is easy to conceive of a situation where trader, fills a bottle bearing the trademark of another person, without that person's consent, with, for example, a beverage of the trademark owner's manufacture, for the purpose of sale or traffic, without any intent to deceive or defraud the public. If one refers to the *Trade-marks Act*, or the general applicable law of trademarks, this subsection appears to give trademark owners rights that they would not necessarily have in a civil case. We shall return to this question in our discussion of the limited jurisprudence on the subject.

Section 411 is rather straightforward in that it simply forbids any person from depreciating the goodwill in a trademark by selling used or reconditioned goods as new.

## **2.2 Sanctions**

Section 412 sets out the sanctions for persons who commit an offence under sections 407, 408, 409 410 or 411. The Crown has the option of proceeding by indictment or by summary conviction.

More interesting, perhaps to the trademark owner, is the fact that all materials used to commit an offence under any of those provisions are, in principle, forfeited to the Crown upon conviction of the accused.



### **3.0 Interpretation of Criminal Code Provisions by the Courts**

#### **3.1 Introduction**

There are very few reported decisions relating to the *Criminal Code* provisions on trademark infringement and related offences. The vast majority of these cases are not reported, as will be discussed towards the end of this paper. In many cases, the accused enters a plea of guilty.

#### **3.2 Illegal Removal of Trademarks and Concealment**

In the case of *Regina v. Locquet* (1985), 5 C.P.R. (3d) 173 (Que. Ct.), the accused was charged with (1) illegally reproducing the trademark MAGICIEL in a computer program, without the consent of the owner and with the intent to deceive the purchaser of the program, under (then section 365 and present) section 407 of the *Criminal Code*; (2) illegally concealing or removing from the user's manual relating to the computer program sold to its customer the name of the trademark owner in accordance with (then subsection 368(a) and present) subsection 410(a) of the *Criminal Code*; and (3), under the same section, illegally concealing or removing from the user's manual, relating to the computer program sold to another customer, the name of the trademark owner, without the consent of the latter.

In this case, the complainant was the owner of the registered trademark MAGICIEL, and the accused was a competitor who, as the charges imply, copied the user's manual for MAGICIEL and concealed the name of the true owner of the trademark, when dealing with his own customers in the computer technology in question, which, in passing, was designed to computerize accounting systems.

The accused's position, in fact, was to the effect that it admitted that the MAGICIEL trademark was copied along with the user's manual, but that this was carried out with the knowledge and consent of the complainant, with a view to proceed to evaluate the program and to perhaps adapt it in order to better serve the clientele it was destined to. The accused also contended that the complainant knew that the new product, once it would have been adapted and modified, would be sold under a different trademark owned by the accused's company.



In the absence of any writing in support of the accused's position, and certain contradictions in the evidence, the Court found the accused guilty as charged.

One element of the case that was never discussed in the written decision is the accused's personal liability when, from the recital of the facts of the judge in the case, one may conclude that it was in fact the corporation, of which the accused was President, that actually committed the acts complained of.

### **3.3 Passing Off**

In the case of *Regina v. Ferjo* (1993), 47 C.P.R. (3d) 210 (O.C.P.D. - on appeal), the passing off provisions found at section 408 of the *Criminal Code* were invoked successfully against the accused by the complainant Vuarnet in respect of sunglasses.

This was a typical case where the complainant accused the defendant of selling imitation wares and passing them off for luxury goods otherwise protected by trademark.

In this case, many of the defences that would have been set out in a civil case were invoked by the accused, but to no avail.

Contrary to *Locquet*, referred to above, in the Ferjo case, the sentencing aspect is discussed in the reported case. It is perhaps of interest, therefore, to know that the Court fined the accused \$2,000, or, in default of payment within the prescribed time, a sixty-day jail sentence.

As in the *Locquet* case, the defendant is an individual and not a corporation; however, contrary to the *Locquet* decision, the case makes no reference to any corporate vehicle with which Mr. Ferjo may have been associated.

Furthermore, the Court considered the stigma of a criminal conviction and the relative importance of the fine as potential deterrents for the type of activity in which it found Mr. Ferjo to be involved.

We see therefore that the *Locquet* case and the *Ferjo* case shed some light on certain practical aspects of sections 407 (forgery), 408 (passing off) and 410 (concealment).

### **3.4 Trade-mark Infringement and Passing Off**

The case of *R. v. Impenco Ltd.* (1991), J.E. 91-280 (Que. Ct.) relates directly to complaints laid in accordance with sections 407 (forgery) and 409 (instruments), but indirectly refers us to a series of dilemmas that could occur under an accusation taken under subsection 410(b) (filling bottles or siphons).

The complainant in the *Impenco* case was Seiko Time Canada Inc. The facts of the case were such that many of the principles discussed thus far in this paper came into play.

Impenco was a manufacturer of boxes of all kinds not engaged in any business relating to the potential contents of the box that it manufactured.

The complainant was Seiko Time Canada Inc. (hereinafter: "Seiko"). Seiko was, at the time, a registered user in Canada of the trademark SEIKO, which was owned by Hattori Seiko, a Japanese corporation.

The complaint was laid under section 409 of the *Criminal Code*, and therefore brought sections 406 and 407 into play. More particularly, Impenco was charged with possession of a die destined to be used to "forge" a trademark.

Preliminarily, the Court recognized in its judgment that Hattori Seiko did not own the registered trademark SEIKO with respect to boxes, and that its registered user, Seiko, the complainant in the case, did not deal in boxes. It was therefore understood by the Court 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. Some time after their relationship commenced, Seiko terminated the relationship, pursuant to a dispute between the parties over prices.

After the termination of the relationship between Seiko and Impenco, Impenco continued to manufacture boxes bearing the name SEIKO, using its own moulds and dies to do so.

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 machine, 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.

When Seiko initiated the criminal proceeding, it did so by way of search and seizure, and seized its equipment along with all boxes bearing the SEIKO trademark.

As we have seen, subsection 409(2) of the *Criminal Code* foresees a good faith defence, which may be invoked by the accused to negate the mens rea, which seems to be required in paragraph 1 of the said Section. The accused was therefore obliged to demonstrate that it manufactured the SEIKO boxes in the ordinary course of its business. The Court was satisfied that the accused 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 is an interesting point, since one of the main defences available in passing off cases, for example, is the existence of the defendant's own trademark on the impugned goods.

In the *Impenco* case, the trademark of Impenco was made evident by means of an engraving that appeared on the underside of almost every 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.

It was admitted at trial that the boxes Impenco had sold to its customers, bearing the SEIKO mark, were sold to dealers of authentic SEIKO watches. However, those authentic watches were "grey market" watches, and it was established that Seiko had never authorized the purchasers of Impenco's boxes to sell SEIKO watches in Canada. In light of a well-known Supreme Court decision, which we will discuss a little later, in which Seiko failed to stop parallel importation, it is perhaps fair to assume that Seiko presumed it would be difficult to pursue the purchasers of Impenco's boxes, who sold grey market SEIKO watches, and, instead of doing so, Seiko invoked provisions of the *Criminal Code* relating to trademark infringement and to the forgery of the trademarks against the accused, in an attempt to stop the practice of the sale of authentic SEIKO watches obtained from sources other than Seiko.

The Court accepted the principles mentioned above to the effect that the word "trademark" in the provisions relevant to the case carried the same meaning as that found in the *Trade-marks Act*. The Court also reaffirmed the principle that the accused, in such cases, is not deprived of the benefit of the defences that are open to him in a civil action for infringement. Impenco was permitted, therefore, to argue that the owner of a trademark, who filed a complaint under section 409 in such cases, has no more rights as against the accused than it would under the law relating to trademarks in the civil sphere.

The Court had to consider principles established by the Civil Court in determining the respective rights of the parties. This made the Supreme Court

of Canada decision, *Consumers Distributing Company Ltd. v. Seiko Time Canada and the Attorney of Canada and Attorney General for Ontario* (1984), (1984) 1 S.C.R. 183, relevant, and it had to be considered and thoroughly understood by the Court in order to evaluate the competing rights before it. The Court concluded that if Seiko would have no recourse against Impenco under the *Trade-marks Act* nor pursuant to the extended doctrine of passing off, as decided and discussed in great detail in the *Consumers* case, then it had no right as a complainant under the *Criminal Code*.

Impenco successfully 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 the otherwise legal watches were to be sold to the public.

The Court found in favour of the accused under the good faith defence, foreseen in subsection 409(2), but also on other grounds, such as the consent of the trademark owner. The Court inferred Seiko's tacit consent from the manner in which it operated its distribution system, in that Seiko dealers, both authorized and unauthorized, are responsible for the packaging and display of the Seiko watches that they sell; 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.

There is, however, another aspect to this case that brings into light the importance of civil trademark law principles and the importance of ensuring, if one is the complainant, that the Crown attorney is aware, before embarking on a trial in these matters, of all civil law principles relating to trademarks and passing off, and, for the accused, to be represented by competent counsel specializing in, or at least having a good knowledge of, such principles.

In the *Impenco* case, the Court concluded that, since the Supreme Court had held that "grey market" vendors act legally and in accordance with Canadian competition principles, and the 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. Obviously, Impenco had to be prepared to argue the general principles of passing off, including the extended notion of passing off, as discussed in the *Consumers* case. We mentioned earlier that section 409, for example, could almost be considered a preliminary infraction to section 407, and that subsection 410(b) could easily lead to abuse through the criminal system, as could in fact section 409, unless all of the relative principles of the law of trademarks and passing off are considered even in each criminal case. This is in keeping with the principle of the *Cruttenden* case, referred to above.

### 3.5 Other Civil Law Principles Relevant to Criminal Law Cases

As mentioned earlier, a conviction under section 409 should only be possible in the event the accused is found to have infringed upon a trademark. It would appear, therefore, that for there to be an infraction there must exist infringing merchandise. In other words, one cannot necessarily conclude that there is a criminal infraction with respect to a trademark, except where the trademark belonging to a person is applied to goods that are not those of the owner of the mark.

Furthermore, it is perfectly legal, under Canadian law, to label merchandise with the name of the manufacturer, as long as the merchandise is genuine. Or, as stated by Harold Fox in the *Canadian Law of Trade Marks and Unfair Competition* (Toronto, Carswell, 1972), at page 357:

"The test of infringement is, of course, deception. And therefore the infringement must be in respect of spurious goods. There can be no infringement if the mark is used upon the plaintiff's goods (...) It is, therefore, quite proper for a person who has obtained goods from the trademark owner to place the owner's trademark on the goods, or to renew the labels if they become lost or damaged, or if the trademark has been obliterated and he may have labels printed for the purpose, if the goods are of the trademark owner's quality."

Fox clearly refers to "the person who has obtained goods from the trademark owner." In the Impenco case, for example, it would appear incongruous for the complainant to accuse the manufacturer of boxes destined to the complainant's very own clients. After all, they did purchase genuine SEIKO watches from the trademark owner.

The principle to the effect that a person is entitled to apply the trademark of another person on packages containing genuine merchandise manufactured by the trademark owner was established in the off-cited case of *Farina v. Silverlock* (1856), 26 L.J. 11 (H.L.). Farina, a distributor of eau de Cologne, attempted to obtain an injunction against Silverlock, a label manufacturer. Farina objected to the practice of Silverlock of applying labels to containers of authentic Farina eau de Cologne. Farina contended that Silverlock infringed upon its trademark in doing so. The Court, however, found in favour of Silverlock, given that the bottles identified by the labels contained genuine eau de Cologne.

Several important principles were established, which could be invoked in criminal cases, if only to explain the law to an otherwise unspecialized Court

in these matters. For example, the Court opined thusly on the question of labelling on page 13 of the decision:

"But it seems to me clear that any man who had got any of the eau de Cologne of Maria Farina and had not got a label, might employ any printer he thought fit to print or engrave for him a label which should be an exact counterpart of that which was used by Maria Farina."

This question of the right to print or engrave labels would appear to be crucial in any case concerning sections 407, 409 and 410(b) of the *Criminal Code*, but also with respect to the passing off of section 408. The Court went so far as to say, at page 13:

"All that the law restrains a person from doing is selling the article which is not the manufacturer of Johann Maria Farina but with the label of Johann Maria Farina upon it. But if it be the article which has been manufactured by Johann Maria Farina, he must not complain that the person sells it with something upon it to represent its trademark though it is not a genuine trademark.

The gist of a trademark in an action at law would be this: that he had sold as an for the manufacture of the plaintiff something that was not his manufacture and his supposed spurious label is put on in order to make it more apparent that it is his manufacture. Therefore, I think it clear that any man may be at liberty if he is capable of printing and engraving, to print and engrave for himself a label being a colourable imitation, or a copy of the plaintiff's label."

It would appear that section 409, or indeed any of the other sections of the *Criminal Code* relating to trademarks, should definitely be interpreted in light of the rights of the trademark owner and the defence of a defendant in the civil sphere. The *Criminal Code* should not be interpreted so as to create general offences against anyone, for example, who is found in the possession of a label or of an instrument to be used to make a label, when the object in question is used, or destined to be used, for a purpose which the doctrine and the jurisprudence has otherwise declared to be perfectly legal under civil principles. The good faith defence in subsection 409(2) underlines perhaps this philosophy in that it acknowledges that there exists numerous cases where trademarks are reproduced legally and where very specific instruments are necessary for the goal of reproducing of a trademark. A perfect example of such a situation is that of an advertising firm, which uses a printer to advertise products in various media.



The principles set out in the *Farina* case are also set out in the off-cited case of *Saper Ltd. v. Specters Ltd. and Boxes Ltd.* (1953), 70 iR.P.C. 173 (H.C.J. Ch.D.). This case, of course, concerned a dispute between Saper and Specters over toffee sales. Plaintiff was upset that Specters used boxes almost identical to its own to sell toffee, and therefore sued the manufacturer of the boxes, the second defendant, Boxes Ltd. The Court held for the defendant.

It would appear therefore that the infraction created at section 409, and even alluded to in subsection 410(b), and which is relevant to a certain extent to the passing off section of a provision of section 408, that the underlying infraction proscribed by the *Criminal Code* consists in the sale of a product on which the trademark of a particular manufacturer is affixed without his consent and with the knowledge that the trademark owner is not the manufacturer. This principle has been confirmed in two old criminal appeal cases: *Reg v. Closs*, (1857) C.L.C. 494 and *Reg v. John Smith*, (1858) C.L.C. 33.

## **4.0 Criminal Law Defence**

### **4.1 Defence of Mistake**

Although a specialist in criminal law may be better positioned to discuss this potential defence, with respect to several of the provisions of the *Criminal Code* we have discussed so far, it is interesting to perhaps consider whether the accused, where intent to deceive or to defraud is required under these provisions, may rely on the defence of mistake as to private law, also called "a claim of right". In other words, could a mistake of law negative mens rea under these provisions.

The repeated reference to the "intent to deceive" and to "defraud", in the relevant provisions of the *Criminal Code*, dictate that the accused's understanding and appreciation of his civil law rights under the *Trade-marks Act*, or the general law applicable to trademarks and trade-names, should also be considered in establishing the true extent of criminal intent. It could very well be, for example, that an accused knew that he was entering into a situation where a trademark owner could consider his acts to constitute infringement or passing off, in the case of an unregistered trademark, but that the accused, either pursuant to consultation with an expert or not, calculated that his acts would not constitute infringement or what the *Criminal Code* defines as forgery. If accepted by the Court, this defence would probably lead to an acquittal in almost any borderline case.

An application of this principle in the Impenco case could have been based on the following reasoning: the accused could have contended that they



were aware of the *Consumers* case, and that the individual accused's understanding of the situation was that parallel importation, or "grey marketing", was legal, and he believed that, in virtue of civil law principles or private law principles, Seiko could not invoke any rights against him under the *Trade-marks Act* nor under the doctrine of passing off and that he was certain, to the best of his knowledge, that genuine SEIKO watches would be sold in his client's boxes.

Our discussion of the importance of civil law principles in criminal trademark matters suggests that we should not rule out the possibility of the defence of mistake under the provisions we are concerned with in this paper. As such, we refer you to several authorities on this point.<sup>2</sup>

#### **4.2 Specific Defence of Good Faith under s. 409(2)**

As mentioned above, subsection 409(2) specifically provides a defence which exists on behalf of the accused, amongst others. Furthermore, we suggest that the defence foreseen in subsection 409(2) need only be proven on a balance of probabilities in light of *Robinson v. The Queen* (1973), 37 D.L.R. (3d) 1 (S.C.C.). As previously mentioned, section 409 is a preliminary provision to section 407. As such, it is suggested that the Crown must first prove that infringement of the trademark, as defined in the *Trade-marks Act*, has occurred prior to finding the defendant guilty under section 409. Section 409 of the *Criminal Code* would appear superfluous and almost meaningless, if it could be said that the legislator would allow a conviction under said provision in cases where infringement, or even potential infringement, did not even exist.

#### **5.0 Practical Aspects of Criminal Proceedings in Trademark Cases**

It would appear from our foregoing discussion that perhaps only the most straightforward cases should be prosecuted through the criminal justice system. The cases of *Locquet* and *Ferjo*, even though the latter case is under appeal, and the statistics we obtained from a senior RCMP officer specializing in intellectual property rights enforcement, (which we will discuss further on in this paper), confirm that, at least in clear cases of counterfeiting, the recourse can be quite efficacious.

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<sup>2</sup> Glanville Williams, *Criminal Law*, 2nd ed., Stevens & Sons Ltd., London, at pp. 304-345.; J.C. Smith and Brian Hogan, *Criminal Law*, 6th ed., Smith & Hogan, London, 1988, at pp. 83-85; *Regina v. Ilczyszyn* (1988), 45 C.C.C. (3d) 91 (Ont. C.A.); *Regina v. Van Herke* (1984), 12 C.C.C. (3d) 359 (Alta. C.A.).

One of the interesting aspects of enforcement through the *Criminal Code*, in addition to the forfeiture provision of section 412, are the provisions dealing with search and seizure.

## **5.1 Special Procedures and Powers in Relation to Trademark Enforcement Through the Criminal Code**

The *Criminal Code* provisions relating to search warrants in the apply to trademark enforcement cases.

Section 487 of the *Criminal Code* states as follows:

"(1) A justice who is satisfied by information on oath in Form 1 that there are reasonable grounds to believe that there is in a building, receptacle or place

(a) anything on or in respect of which any offence against this Act or any other Act of Parliament has been or is suspected to have been committed,

(b) anything that there is reasonable ground to believe will afford evidence with respect to the commission of an offence against this Act or any other Act of Parliament, or

(c) anything that there are reasonable grounds to believe is intended to be used for the purpose of committing any offence against the person for which a person may be arrested without warrant,

may at any time issue a warrant under his hand authorizing a person named therein or a peace officer

(d) to search the building, receptacle or place for any such thing and to seize it, and

(e) subject to any other Act of Parliament, to, as soon as practicable, bring the thing seized before, or make a report in respect thereof to, the justice or some other justice for the same territorial division in accordance with section 489.1.

(2) Where the building, receptacle, or place in which anything mentioned in subsection (1) is believed to be is in any other territorial division, the justice may issue his warrant in like form modified according to the circumstances, and the warrant may be executed in the other territorial division after it has been

endorsed, in Form 28, by a justice having jurisdiction in that territorial division.

(3) A search warrant issued under this section may be in the form set out as Form 5 in Part XXVIII, varied to suit the case.

(4) An endorsement that is made on a warrant as provided for in subsection (2) is sufficient authority to the peace officers or such persons to whom it was originally directed and to all peace officers within the jurisdiction of the justice by whom it is endorsed to execute the warrant and to deal with the things seized in accordance with section 489.1 or otherwise provided by law."

We see that this provision and those directly following it allow the owner of the trademark enforcement possibilities not normally available through the Civil Courts.

The warrant obtained under these sections allows the person named therein, or the peace officer, to search and *seize* the articles described in the warrant. The warrant may be issued notwithstanding the fact that an infringement has not yet been proven. This means that the accused finds itself under the influence of a seizure, prior to being found guilty of a substantive offence.

The *Criminal Code* and the general principles of criminal procedure foresee various grounds of attack of a seizure. This may be done based on the fact there were no reasonable grounds for the issuance of the warrant in the first place, or where parts of the information to obtain the search warrant are incomplete or misleading and also by virtue of certain extraordinary remedies. However, notwithstanding the intricacies of criminal procedure, it did not appear from the jurisprudence that we reviewed that, in the specific case of trademark infringement matters, a warrant would be easily set aside by way of a proceeding taken prior to the trial on the merits. On the question of the reviewing of the search warrant, we refer you to specialized texts on the question.

What is perhaps of more interest to us is the fact that the articles seized may be detained and used as evidence at trial, although section 490 sets out rules relating to maximum periods and the grounds for which seized articles may be detained by the Crown, and the conditions on which such terms or delays may be extended or modified.

## **5.2 Use of articles Seized as Evidence in Civil Cases**

The question now arises as to what use may be made in a civil case of articles seized under the *Criminal Code* search and seizure provisions in trade-mark matters.

It would appear that the right of the trade-mark owner to use the evidence gathered by the police for civil litigation will depend on how far advanced the criminal case has progressed.

In the event where there has been a search and seizure, charges have been laid, a trial has taken place and final judgment has been rendered it would appear that there should be no possible objection to the use of the evidence by the trade-mark owner in a civil case since the evidence if placed into the record will have become of public knowledge.

There are cases where the police seizes articles and hold it for several months before the Crown even decides to prosecute the case. It would appear contrary to the Federal Charter to allow a trade-mark owner to take advantage of this evidence and invoke it in several proceedings before the Crown has even decided on whether to go ahead with criminal charges. We mentioned that the goods could be retained for several months since they are provisions in the *Criminal Code* which allow the police to ask for an extension of the initial period of detention of the goods.

However, one must ask the question as to when the police have carried out a search and seizure, and the Crown has brought charges against the accused. This situation is less clear than the previously discussed two situations since on one hand the Crown has indeed decided to prosecute the case and laid charges or on the other the accused has not been found guilty of an offence and has been dispossessed of what must be presumed to be property that is legally his.

In the province of Quebec there is a provision in the *Civil Code* with respect to evidence which may apply to protect the defendant. Article 2858 in the new *Civil Code* reads as follows:

"The Court shall, even of its own motion, reject any evidence obtained under such circumstances that fundamental rights and freedom are breached and that its use would tend to bring the administration of justice into disrepute.

The later criterion is not taken into account in a case of violation of the right of professional privilege"

The article requires therefore two things: first that a fundamental right and freedom be breached and second that the administration of justice be

brought into disrepute. This provision obviously confines much discretion in the hands of the Court but is a reminder just the same of the delicate nature of this question of the use of articles seized in criminal proceedings for civil purposes.

We presume that if the Crown or the police do not make the articles or information seized or obtained available to the complainant the complainant will make a motion to the Court as it is permitted by the *Criminal Code* to be enabled to see and take cognizance of the evidence gathered. The police will probably be very wary of providing the information or copies of documents or pictures of the evidence voluntarily and will usually, as a safeguard, oblige the complainant to request the permission to obtain the information from the Court.

The situation is therefore complicated by the fact that in such situations a Court of Law has in fact provided the complainant with the right to take cognizance of the evidence gathered in the criminal proceedings. Is it fair thereafter to blame the complainant who becomes a plaintiff or is already a plaintiff in a civil case to invoke such evidence in order to support its position in that civil case.

The peculiar aspect of this question of the seized goods lies in the nature of trade-mark rights. In a seizure for drugs or firearms for example, there is not necessarily much interest placed in what is seized for the purpose of a civil action. In trade-mark matters the complainant is always a potential plaintiff in a civil case and as such has interests in both types of proceedings.

It is evident that a complainant and therefore potential plaintiff must not use the *Criminal Code* in a heavy-handed or abusive manner since it would expose itself to an action in damages in any event if its criminal case is found to have obviously been a means and a tool to put undo pressure on the defendant.

### **5.3 Unofficial Statistics**

Before preparing this paper, we consulted Sergeant Serge Corriveau of the R.C.M.P. in Montreal. Since 1992 Sergeant Corriveau's unit has opened about two hundred files involving trade-mark infringement investigations that could be prosecuted under sections 406 and following of the *Criminal Code*. He told us that approximately seventy-five charges were brought pursuant to these investigations, and one hundred or so seizures were performed to assist in the gathering of evidence against the suspects.

Although Sergeant Corriveau did not have conviction rate figures, he claimed that nearly every charge brought resulted either in a guilty plea or a guilty verdict.

On the question of sentencing Sergeant Corriveau advised us that to his knowledge the average fine assessed by the Quebec Court to a first time infringer under the *Criminal Code* is between five hundred and one thousand dollars, although judges in Quebec have recently shown more willingness to assess higher fines, including amounts of up to two thousand dollars for first time infringers.

The type of wares seized in these prosecutions mainly consisted of unauthorized reproductions of luxury brand products such as Chanel, Cartier, Rolex, etc. as well as t-shirts, sweatshirts and the like.

Sergeant Corriveau's "anecdotal" evidence on the charges resulting in guilty pleas and guilty verdicts confirms the paucity of jurisprudence on the subject and is perhaps the best guide we have at this time as it concerns the effectiveness of *Criminal Code* prosecution of trade-mark infringers.

## Conclusion

We have attempted to provide an overview of the inter-play between the *Criminal Code* provisions on *Trade-Marks* and principles applicable to trade-marks and passing off in the civil sphere.

It would appear that given the availability of civil defences, the existence of good faith defences and the necessity and burden of the Crown to prove a criminal intent in almost all cases, makes criminal prosecution of unclear or more difficult trade-mark cases a difficult option.

However, it does seem that the *Criminal Code* provisions on *Trade-Marks* and those relating to search and seizure can be a very effective tool in straightforward cases of counterfeiting and clear passing off. The fines can only increase over the next few years and as the Criminal Courts are exposed to more and more criminal cases an expertise and perhaps a sympathetic ear to such cases may be developed in Courts which otherwise have little or no dealings with our field of law.





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# CRIMINAL LAW IN AID OF TRADEMARKS: PRELIMINARY REFLEXIONS

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