

Federal Court



Cour fédérale

Date: 20160830

Docket: T-653-13

Citation: 2016 FC 987

Ottawa, Ontario, August 30, 2016

PRESENT: The Honourable Mr. Justice Martineau

BETWEEN:

**CHANEL S. DE R.L.,
CHANEL LIMITED AND
CHANEL INC.**

Plaintiffs

and

**LAM CHAN KEE COMPANY LTD.,
ANNIE PUI KWAN LAM AND SIU-HUNG
LAM,
COLLECTIVELY DOING BUSINESS AS LAM
CHAN KEE AND 2133694 ONTARIO INC.**

Defendants

JUDGMENT AND REASONS

[1] As directed by the Federal Court of Appeal, this is a redetermination of the motion for summary trial presented by the plaintiffs, Chanel S. de R.L., Chanel Limited and Chanel Inc.

THE ORIGINAL JUDGMENT

[2] On September 18, 2015, the plaintiffs obtained judgment [the original judgment] against Lam Chan Kee Company [LCK Company] and 2133694 Ontario Inc. [‘694 Inc.] [collectively, the corporate defendants], and Annie Pui Kwan Lam [Mrs. Lam], while their action against Mrs. Lam’s husband, Mr. Siu-Hung Lam, was dismissed: *Chanel S de RL v Kee*, 2015 FC 1091 [FC Reasons].

[3] Indeed, the Court accepted the plaintiffs’ uncontradicted evidence with respect to the following four instances, where counterfeit Chanel merchandise had been offered for sale or sold in the conventional retail store operating under the name LAM CHAN KEE [the Business] at Unit B25, Pacific Mall, 4300 Steeles Avenue East, Markham, Ontario [the Premises]:

- (a) offering for sale 20-25 counterfeit Chanel cellular phone cases, at least one (1) small wallet, and a few plastic bracelets and hair clips on or about October 23, 2011;
- (b) offering for sale five (5) counterfeit Chanel wallets on or about December 9, 2011;
- (c) offering for sale six (6) pairs of counterfeit Chanel earrings, and three (3) counterfeit Chanel cellular phone cases, and the purchase of counterfeit Chanel earrings on April 26, 2012; and

- (d) offering for sale 100 counterfeit Chanel items including cellular phone covers, necklaces, hair clips and fake nail stickers on or about June 2, 2013 and the purchase of an iPhone cover, a necklace, and a set of fake nail stickers [the June 2, 2013 infringement].

[4] The corporate defendants and Mrs. Lam [collectively, the subject defendants] were found by the Court to have infringed the rights of both Chanel Inc., which holds the license to use the Chanel Trade-marks in Canada, and Chanel Limited, which owns the rights to the Chanel Trade-marks (FC Reasons at para 22). Given the fact that the infringing activities of the subject defendants were ongoing until at least June 2, 2013, and given the nature of the activities involved, pursuant to section 53.2 of the *Trade-marks Act*, RSC 1985, c T-13 [the Act], the Court granted:

- (a) declaratory relief confirming the validity and ownership of the Chanel Trade-marks;
- (b) injunctive relief precluding the subject defendants from continuing their infringing activities; and
- (c) injunctive relief requiring the delivery up and destruction of any remaining infringing goods within twenty-one (21) days of the original judgment.

[5] In addition to making the declarations and issuing the injunctive relief sought in the plaintiffs' motions for default judgment and summary trial, the Court also ordered the subject defendants to pay the following sums to the plaintiffs: \$64,000 in damages [the compensatory damages award]; \$250,000 in punitive and exemplary damages [the punitive damages award]; and \$66,000 in lieu of assessed costs [the costs award].

THE FEDERAL COURT OF APPEAL

[6] The plaintiffs did not appeal the part of the original judgment of the Court that dismissed their motion for summary trial against Mrs. Lam's husband, nor did the two corporate defendants appeal the default judgment rendered against them. However, as far as she had been condemned, jointly and severally with the corporate defendants, to pay damages, as well as punitive damages, Mrs. Lam sought to set aside the original judgment on several grounds. On April 11, 2016, Mrs. Lam's appeal was allowed, on limited grounds and without costs, by the Federal Court of Appeal, who directed that the summary trial motion be remitted to the trial judge for redetermination in accordance with its reasons in *Kwan Lam v Chanel S de RL*, 2016 FCA 111 [FCA Reasons].

[7] First, the Federal Court of Appeal found no merit in the submissions of Mrs. Lam to the effect that the Court had erred in proceeding by way of summary trial (FCA Reasons at paras 15 and 16). Furthermore, the Federal Court of Appeal found that the Court did not err in making a nominal damages award, in setting the nominal damages amount for each act of infringement at the level of \$8,000, or in awarding damages to both the trade-mark owners and the licensee for

each act of infringement (FCA Reasons at paras 18 and 19). Thus, none of these findings can be revisited today by Mrs. Lam.

[8] Second, while the Federal Court of Appeal noted that the quantum of punitive and exemplary damages awarded to the plaintiffs “is significant and outstrips awards in many previous cases” (FCA Reasons at para 23), when the quantum of punitive damages is compared to the quantum of compensatory damages, it nonetheless held that this would not necessarily render the award vulnerable to being set aside, depending on the findings and the reasons given to support the award (FCA Reasons at paras 23 and 25). Nevertheless, the Federal Court of Appeal found that “an award of this magnitude” called for an explanation founded upon the applicable legal tests and the specific facts of the case that was “more expansive” than the explanation given by the trial judge (FCA Reasons 23). In this respect, consideration should be given to the relevant factors indicated by the Supreme Court of Canada in *Whiten v Pilot Insurance Co*, 2002 SCC 18 at paras 112-113 [*Whiten*], so as to ensure that the amount awarded is no higher than necessary to achieve the Court’s objective in imposing punitive damages (FCA Reasons at para 24).

[9] Third, as noted by the Federal Court of Appeal (FCA Reasons at para 13), the Court premised its compensatory and punitive damages awards on the basis that the subject defendants should be held liable of all four acts of infringement (October 23, 2011, December 9, 2011, April 26, 2012 and June 2, 2013 [the infringement dates]) mentioned in the FC Reasons, as it made them jointly and severally liable (FC Reasons at paras 5, 6, 16, 20, 22 and 24). However, the Federal Court of Appeal found that there was an ambiguity with respect to the finding that

Mrs. Lam was personally liable of the June 2, 2013 infringement (FCA Reasons at paras 5, 8-13, 20 and 21). The ambiguity flows from the fact that many paragraphs of the FC Reasons can be read as a clear finding that Mrs. Lam is liable for all four instances of infringement (FC Reasons at paras 5, 18, 19, 20 and 22), but two other paragraphs seem to indicate that this Court found the appellant responsible for the infringing activities only up to May 28, 2013 (FC Reasons at paras 7 and 16).

[10] In particular, the Federal Court of Appeal made reference (FCA Reasons at paras 9 and 10) to what this Court wrote in paragraphs 7 (last sentence) and 16 of the FC Reasons, and which read as follows:

[7] [...] On a balance of probabilities, the Court finds that despite any transfer of shares to Justin and Jessica Lam, LCK Company and Madam Lam continued to operate and control the Lam Chan Kee business until at least May 28, 2013.

[...]

[16] The Court finds on a balance of probabilities that LCK Company continued to operate the Lam Chan Kee business until at least May 28, 2013, after which '694 Inc must be held responsible for the infringing activities on the Premises. The Court further finds that Madam Lam continued to use the property as her own after the alleged transfer. There is also clear evidence on record suggesting that Madam Lam continued to control the business. Moreover, it is not clear whether staff were notified of the change in ownership. Furthermore, Madam Lam continued to be the owner and landlord of the Premises. It was Madam Lam who hired counsel, not Justin Lam, when the present action was taken by the plaintiffs. Nor did Madam Lam talk to her children regarding the cease and desist letter that was delivered on December 9, 2011 to the operator of the Lam Chan Kee business on the Premises. While the Court comes to the conclusion that Madam Lam must be held personally liable for infringing activities on the Premises up and until May 28, 2013, together with the two corporate defendants, there is not enough evidence to support such a conclusion against the other individual defendant, S. Lam, as I am not satisfied the

latter was the controlling mind of the two corporate defendants or was personally involved in the infringing activities.

[11] In conclusion, assuming that the quantum may be different if Mrs. Lam is to be held liable for three instances instead of four instances of infringement, the Federal Court of Appeal concluded that this ambiguity in the original judgment tainted the compensatory damages award, the punitive damages award and the costs award (FCA Reasons at paras 21 and 22). Accordingly, the Court is to resolve today the ambiguity with respect to Mrs. Lam's involvement in the June 2, 2013 infringement and redetermine, with adequate reasons, the quantum of damages and costs (FCA Reasons at para 28).

POSITION OF THE PARTIES WITH RESPECT TO REDETERMINATION

[12] The parties agree that the scope of the present redetermination is limited and must be conducted in accordance with the FCA reasons. In a nutshell, the plaintiffs take the position that there are no reasons to sever the compensatory damages award and to reduce the amounts of the punitive and costs awards. On the other hand, Mrs. Lam asks this Court to sever the compensatory damages award and to reduce the amounts of the punitive and costs awards.

Plaintiffs position

[13] Firstly, the plaintiffs submit that the "ambiguity" noted by the Federal Court of Appeal is only apparent, and that in the FC's Reasons, the intended finding of fact of this Court was that Mrs. Lam was, at all relevant times, personally liable for all four instances of infringement referenced in the reasons, including the infringement that took place on June 2, 2013.

[14] While the evidence of Mrs. Lam's husband's direct participation or involvement in the alleged infringing activities may have been lacking – he no longer resided in Canada and had been living in China – the plaintiffs assert once again that, as the controlling mind of the corporate defendants, and the landlord of the Premises and owner of the Business, Mrs. Lam aided and abetted, authorized, and sanctioned the importation, advertisement, offer for sale and/or sale of fashion accessories bearing the Chanel Trade-marks at the Premises. Therefore, the Court should not disturb its previous findings and should pronounce the same declarations and condemnations against the subject defendants.

[15] Secondly, with respect to punitive damages, the plaintiffs assert that because the FC's Reasons and the evidence in the summary trial both support liability for the June 2, 2013 infringement, the Court should uphold the entire damages assessment set out in the FC's Reasons, including the award of punitive damages. Indeed, the Federal Court of Appeal stated that an award of punitive damages in the amount of \$250,000 might be a reasonable remedy in a case like the present, even though it is proportionally higher than awards made in earlier cases (FCA Reasons at paras 24-26). Thus, given that the purported ambiguity relating to the June 2, 2013 infringement should be resolved as set out above, the bases for the punitive damages award may be relied upon to affirm the amounts set out in the FC's Reasons.

[16] The plaintiffs further state that several of the *Whiten* factors are reflected in the conduct of the subject defendants, including the fact that the sales of counterfeit goods and later attempts to obscure Mrs. Lam's involvement were "planned and deliberate"; the sale of counterfeit goods was lengthy and ongoing; the motive for Mrs. Lam was profit, and later, the avoidance of

liability; Mrs. Lam continued to derive a financial benefit from the sale of the counterfeit merchandise; there is no question that Mrs. Lam was aware the conduct was unlawful; Mrs. Lam attempted to avoid liability by presenting evidence of a purported 2011 transfer; and the kind of theft in question constitutes a very serious offence (FCA's Reasons at para 25).

[17] Thirdly, with respect to the costs award of \$66,000, the plaintiffs note that in remitting this matter for redetermination, the Federal Court Appeal did not find any errors with the Federal Courts determination of costs in the summary trial. In addition, while the determination of liability for the June 2, 2013 infringement may affect compensatory damages, it does not affect the basis for the costs award in the FC Reasons.

[18] With respect to the present redetermination, the plaintiffs seek their solicitor and client costs of \$22,000 in lieu of assessed costs and disbursements, given Mrs. Lam's ongoing attempts to avoid liability, or in the alternative, the sum of \$6,025.59, reflecting, double costs of \$5,600 and \$425.59 in disbursements arising from an offer to settle made by the plaintiffs, which can be produced upon request.

Mrs. Lam's position

[19] Firstly, Mrs. Lam interprets the FC Reasons at paragraph 16 as meaning that she has not been found to be associated with the LCK Company after May 28, 2013. Therefore, it would be inconsistent to render her personally liable for the incident of the June 2, 2013 infringement. Accordingly, the compensatory damages award of \$64,000 must be severed in two distinct condemnations: (1) Mrs. Lam should be ordered to pay the amount of \$48,000, jointly and

severally with the corporate defendants; and (2) the corporate defendants should be condemned to pay, jointly and severally, a further sum of \$16,000.

[20] Secondly, Mrs. Lam submits today that the Court's determination of \$250,000 in punitive damages against all three subject defendants is unreasonable and neither in line with the rules of proportionality, nor with the precedents set out in other trade-mark or copyright cases in Canada, even if all four instances of alleged infringement are considered (*Louis Vuitton Malletier SA v Lin Pi-Chu Yang*, 2007 FC 1179 [Yang]; *Louis Vuitton Malletier SA et al v 486353 BC Ltd et al*, 2008 BCSC 799 [486353 BC Ltd]; *Louis Vuitton Malletier SA v Singga Enterprises (Canada) Inc*, 2011 FC 776 at paras 168-170 [Singga]; and *Chanel S de RL and Chanel Inc v Jiang Chu*, 2011 FC 1303 [Chu]).

[21] It is not challenged by Mrs. Lam that an award of punitive and exemplary damages should be substantial enough to get the attention of the defendant (*Singga* at para 169). However, Mrs. Lam asserts that while punitive damages are meant to deter the behaviour of potential new infringers, the present punitive damages award creates a new threshold, despite more egregious behaviour on the part of other defendants. Mrs. Lam submits that she was not deemed to be a manufacturer or importer, and she was not charged with multiple counts of infringement under the Act, nor was she charged under the *Copyright Act*, RSC 1985, c C-42. Mrs. Lam asks the Court to reduce the punitive damages award by \$175,000 and asserts that an award of \$75,000 would be reasonable in the circumstances.

[22] Mrs. Lam notably submits that she did not engage in the full range of activities and infringement in which other defendants in other trade-mark infringement cases engaged.

Moreover, her conduct should not be deemed to be planned or deliberate as she was not the seller at the time of the alleged infringing acts, nor was she present when the plaintiffs' investigators attended the retail establishment and witnessed the trinkets bearing the Chanel Trade-marks. She also submits that she had no motive or intent, nor did she persist or carry out outrageous conduct over a lengthy period of time. Indeed, she submits that she had no control over the products that were being sold by the new corporation after she sold her interests in the company. Mrs. Lam also submits that the Court should take into account the fact that she was allegedly retailing trinkets and merchandise that the plaintiffs do not produce in their product line. She also submits that she did not conceal or attempt to conceal her identity.

[23] Thirdly, Mrs. Lam submits that the legal costs granted to the plaintiffs in the original judgment were higher than the nominal damages awarded, calling proportionality into question. Mrs. Lam submits that the legal fees on a solicitor-client basis were awarded on a sum that is not consistent with actual costs for a summary judgment trial that occurred swiftly and in a timely fashion. The costs award of \$66,000 against the subject defendants is unreasonable and should be reduced to \$32,000 in lieu of assessed costs and payable forthwith. Furthermore, the plaintiffs should be condemned by the Court to pay forthwith to Mrs. Lam the sum of \$32,000 inclusive of disbursements in lieu of assessed costs for this summary trial motion and redetermination by the Court.

REDETERMINATION OF THE MOTION FOR SUMMARY TRIAL

[24] Having reconsidered the matter and reviewed the totality of the evidence previously submitted by the parties at the hearing of the motion for summary trial held in Vancouver on August 2, 2015 (FC Reasons at paras 3 and 4), in light of the earlier findings of the Court and the reasons of the Federal Court of Appeal, and considered the additional submissions made by counsel in their new materials and at the hearing held in Vancouver on August 3, 2016, it is the judgment of this Court that the findings, declarations, orders and condemnations pronounced or made against the corporate defendants and Mrs. Lam in the original judgment, including the compensatory damages award, the punitive damages award and the costs award, be confirmed and remain unchanged. In all respects and at all relevant times, Mrs. Lam is personally liable of the infringing activities that have taken place in the Business or at the Premises on October 23, 2011, December 9, 2011, April 26, 2012 and June 2, 2013.

PERSONAL LIABILITY OF MRS. LAM

[25] The Court earlier found, and further finds and confirms today, that Mrs. Lam was at all relevant times the controlling mind of the two corporate defendants. She must be held personally liable in the ongoing infringing and illegal activities that have taken place for a number of years in the Business or at the Premises.

[26] In its original judgment, the Court dismissed Mrs. Lam and Mrs. Lam's husband's [the individual defendants] objection that this was not a proper case to render judgment following a summary trial, and notably found Mrs. Lam personally liable, while exonerating Mrs. Lam's

husband (FC Reasons at para 5). Despite the alleged transfer of shares in August or September 2011 to Justin and Jessica Lam (FC Reasons at para 13), the Court accepted the plaintiffs' arguments (FC Reasons at para 14) and found that the defendants' evidence was self-serving, inconclusive and contradictory (FC Reasons at para 15).

[27] The corporate changes, including the replacement in May 2013 of Mrs. Lam by her daughter as President of '694 Inc., did not affect, and should not affect today, the personal liability of Mrs. Lam. To hold otherwise would grant protection to individuals or corporations seeking to avoid liability by preparing corporate filings when they would otherwise clearly be responsible for infringing and illegal activities (see *Fraudulent Conveyances Act*, RSO 1990, c F 29 ss 2; *Prodigy Graphics Group Inc v Fitz-Andrews*, [2000] OJ No 1203, 2000 CarswellOnt 1178 (SCJ) at para 152).

[28] But for the ambiguity concerning Mrs. Lam's involvement in the June 2, 2013 infringement (FCA Reasons at para 19), the Federal Court of Appeal also stated that there is no ground to set aside the other determinations made by the Court concerning Mrs. Lam's involvement and responsibility in this matter (FCA Reasons at para 27). There is therefore no basis today to reconsider the joint and several liability of the corporate defendants (LCK Company and '694 Inc.) for any of the four instances of infringement, nor is there any argument that the remaining factual and legal findings already rendered in this case are not binding on all parties.

[29] Perhaps, the apparent ambiguity noted by the Federal Court of Appeal could have been clarified by the Court much earlier through the presentation by a party of a motion pursuant to Rule 397(1) of the *Federal Courts Rules*, SOR/98-106, to reconsider or clarify the conclusions of the original judgment – since the original judgment seemed not accord with part of the reasons. Moreover, Rule 397(2) allows the Court to correct at any time clerical mistakes, errors or omissions in a judgment or order. Be that as it may, there should be no confusion and no misunderstanding today. The Court wholly takes responsibility for any misuse in the impugned paragraphs of its reasons of the May 28, 2013 date, or its conjunctive use with the June 2, 2013 date (paras 8 and 16), and stands with its earlier finding that the subject defendants, including Mrs. Lam, are liable of all four instances of infringement, including the June 2, 2013 infringement (FC Reasons at paras 5, 18, 19, 20 and 22).

[30] The corporate defendants did not appear or made an appeal with respect to the findings made by the Court in the original judgment. To make it clear, the May 28, 2013 date is only relevant with the issue of the weight to be given by the Court to the corporate documents invoked by the individual defendants. At the risk of repeating itself, the Court already found that the individual defendants' evidence was self-serving and should be afforded very little weight (FC Reasons at para 15). The corporate documents concerning '694 Inc., which was a shell company incorporated in 2007 by Mrs. Lam, were apparently completed in May 2013 by Suiwai (Ronald) Mak [Ronald Mak] who acted as the individual defendants' accountant and assisted them in the alleged sale of the Business (FC Reasons at para 13). On May 2, 2013, Justin Lam and Jessica Lam were recorded as Directors, Jessica Lam was listed as Secretary, and Justin Lam was recorded as Treasurer of '694 Inc. On May 28, 2013, Jessica Lam was recorded as President

of '694 Inc. However, neither Mrs. Lam nor her witnesses can clearly explain to the Court the reason for the long delay before filing the corporate changes to the Registry or before notifying the plaintiffs. While these corporate changes were said to be approved and signed by Mrs. Lam and her children on or about August or September 2011, the signed documents were only filed and brought to the plaintiffs' notice on May 2013, which occurred after the serving of the plaintiffs' Statement of Claim. Furthermore, the personal addresses for the individual defendants, Justin Lam and Jessica Lam indicated on the corporate documents of '694 Inc. were identical at all material time: 119 Boake Trail, Richmond Hill, Ontario (FC Reasons at para 8).

[31] Be that as it may, regardless of the corporate changes, after May 28, 2013, Mrs. Lam continued to use the property as her own and continued to control the Business. According to the evidence on the record, it is still uncertain and inconclusive whether there had been a complete and effective sale of the '694 Inc. At both hearings, Mrs. Lam failed to provide any evidence to support or corroborate her assertion that her children had completely paid the balance of the \$30,000 for the sale of '694 Inc. (FC Reasons at para 13). Also, it is not clear whether staff were notified of the change in ownership. Mrs. Lam continued to be the owner and landlord of the Premises. Mrs. Lam also stated, in her testimony, there was no need to notify Pacific Mall of the change of corporation since the sale of the Business was done between her children. Furthermore, Mrs. Lam was still benefitting from the ongoing profits of the Business after the corporate sale, since she was receiving ongoing financial support for her living expenses and for the reimbursement of the management fee that she was paying for the Premises (cross-examination of A. Lam at p 64 ln 10 to p 65 ln 1; Cross-examination of J. Lam at page 87 ln 3 to p 88 ln 8). Moreover, it was Mrs. Lam who hired counsel implicated in the present case, not

Justin Lam or Jessica Lam, when the present action was taken by the plaintiffs. Additionally, Mrs. Lam did not talk to her children regarding the cease and desist letter that was delivered on December 9, 2011 to the operator of the Business conducted in the Premises. Indeed, the Court notes that accordingly to Justin Lam's testimony, he had no memory of Mrs. Lam advising him to take any steps to respond to the suit at any time, nor did he speak to a lawyer about the lawsuit. I give very little weight to the affidavits of Mrs. Lam and Justin Lam (March 16, 2015) in view of the contradictory or confusing answers provided at their cross-examinations (June 8, 2015 and June 9, 2015 respectively).

[32] Thus, the motivation behind the corporate changes and transfer of ownership alleged by the individual defendants is highly questionable (FC Reasons at para 15). The Court finds that they are fraudulent, insofar as they appear to be specifically directed to avoid the negative consequences arising from the recidivist and contemptible infringing and illegal activities of LCK Company and Mrs. Lam. All the surroundings factual circumstances must be taken into account, including the fact that the price of the sale was \$30,000 but Mrs. Lam's children apparently only paid \$3,000 at the time (FC Reasons at para 13) and there is no third party document corroborating Mrs. Lam's assertion that, subsequently to the sale of the Business, unspecified sums of money were effectively paid by the children. On the other hand, infringing activities continued to take place at the Premises after the service of the 2011 cease and desist letter, and even after the service of the Statement of Claim in April 2013, which forces this Court to question Mrs. Lam's good faith and address the contentious issue of her personal liability at all relevant times.

[33] Despite any ambiguity in the original judgment, this Court is satisfied today that:

- (a) The continued control and profit derived by Mrs. Lam in the Business and as the landlord of the Premises;
- (b) Mrs. Lam's personal knowledge of the infringing and illegal activities at the Premises; and
- (c) The absence of proper means taken by Mrs. Lam after the personal serving of the Statement of Claim to her on April 18, 2013 to prevent that infringing and illegal activities continue to take place in the rented Premises,

constitute sufficient basis for condemning Mrs. Lam, with the corporate defendants, to pay compensatory and punitive damages, jointly and severally, as a result of the illegal and infringing activities conducted by the Business or occurring at the Premises, including the June 2, 2013 infringement.

[34] As asserted by the plaintiffs in this proceeding, there is ample evidentiary base in the record and compelling legal reasons to find Mrs. Lam personally liable of all four instances of infringement:

- (a) Liability for an officer, director, principal employee or controlling and directing mind may be found where such party makes the unlawful act their own (*Singga* at paras 112-114; *486353 BC Ltd* at para 45). The governing case in this respect is *Mentmore Manufacturing Co Ltd v National Merchandising Manufacturing Co Inc*, (1978), 40 CPR (2d) 164

at 174 (FCA). The conduct of an individual in controlling and directing a corporation does not depend on a formal employment relationship or the designation of officer or director, as such artificial distinction would inappropriately act to insulate controlling and directing individuals who would otherwise be liable for their actions. Mrs. Lam was clearly the controlling mind of the Business and derives financial benefit from its ongoing activities. While she was aware that the advertising and the selling of counterfeit product was contrary to both the law and the previous order rendered against her, Mrs. Lam failed to prove that she took sufficient steps to halt this unlawful practice.

- (b) Vicarious liability may exist where, taking into account the dual purposes of such liability – fair and effective compensation and deterrence of future harm – there is a sufficient rationale to do so. Liability will be imposed where the relationship between the tortfeasor and the person against whom liability is sought is sufficiently close as to make the claim for vicarious liability appropriate. The proximity between Mrs. Lam and the corporate defendants is well established during all four acts of infringement, notwithstanding the alleged sale (see *Bazley v Curry*, [1999] 2 SCR 534 at para 15; *671122 Ontario Ltd v Sagaz Industries Canada Inc*, [2001] 2 SCR 983 at paras 26-28; *KLB v British Columbia* [2003] SCC 51 at paras 18-20; *Van Hartevelt v Grewal*, 2012 BCSC 658 at paras 64-65).
- (c) In continuing to treat the Business as her own, deriving financial benefit from the Business, and failing to take any or sufficient steps to halt the

sale of counterfeit Chanel merchandise (despite being the party primarily involved in the 2006 Orders, the party in receipt of the communication of this action, and the party apparently instructing legal counsel), Mrs. Lam aided and abetted ongoing infringement at the Premises.

[35] For the reasons mentioned in the following paragraphs, there is also no cause to reduce the compensatory and the punitive awards, as this Court is also satisfied today that the subject defendants should be condemned to pay, jointly and severally, nominal damages of \$64,000 and punitive damages of \$250,000, while the costs award of \$66,000 should be not be altered.

COMPENSATORY DAMAGES AWARD

[36] The Court is also satisfied that the plaintiffs have suffered damages and that the subject defendants have made a profit. With respect to damages, the precise extent of the subject defendants' activities are not known to the plaintiffs, but there is clear evidence on the record that the illegal and infringing activities were conducted at the Premises from October 2011 to June 2013, and at least, according to the uncontradicted evidence, on October 23, 2011, December 9, 2011, April 26, 2012 and June 2, 2013.

[37] At the hearing for remittance, Mrs. Lam did not seek leave to file additional credible documentation that could have guided the Court toward assessing more accurate compensatory damages instead of awarding \$32,000 to each of the two interested plaintiffs (see paragraph 40 below). Since no such evidence was provided to assess the true value of profit gained from the infringements and since the personal liability of Mrs. Lam has been confirmed for all four

infringements, the Court is justified today to rely on the minimum compensatory rule, described in the following paragraphs.

[38] As already noted in the reasons supporting the original judgment (FC Reasons at para 21), in 1997, the Court determined that, in the circumstances before the Court at that time and in relation to an Anton Piller order seizure, damages of \$6,000 per plaintiff for trade-mark infringement should be applied as nominal damages against retail establishments selling counterfeit goods, where it would be difficult to prove actual damages or profits based on a lack of documentation regarding sales. More recently in *Yang*, the Court awarded a minimum compensatory damage of \$7,250 per infringement against a retail establishment by adjusting the \$6,000 value for inflation.

[39] In this respect, following the submissions made by the plaintiffs, the Court already determined that in the present circumstances, the proper base amount of nominal damages is \$8,000, as adjusted for inflation from 1997 to each of the three relevant years, per instance of infringement. Accordingly, nominal damages are appropriately assessed as \$8,000 multiplied by four instances (i.e. October 23, 2011, December 9, 2011, April 26, 2012 and June 2, 2013), equaling \$32,000. Furthermore, the activities of the subject defendants have infringed the rights of both Chanel Inc., which holds the license to use the Chanel Trade-marks in Canada, and Chanel Limited, which owns the rights to the Chanel Trade-marks. In accordance with the established jurisprudence, each of these plaintiffs is entitled to an award of damages for the four instances of infringement, for a total of \$32,000 per plaintiff, or \$64,000 in total, and which

amount is payable jointly and severally by the subject defendants (FC Reasons at para 22). There is no reason to find otherwise today.

[40] Indeed, the Federal Court of Appeal already confirmed in its judgment the Court's method of awarding compensatory damages at the present level of \$8,000 per act of infringement and to both the trade-mark owner and Canadian licensee in a case like the present (FCA Reasons paras 17-18). Nonetheless, the Court further reconsidered today the overall impact of the defendants' unlawful business on the reputation of the plaintiffs' trade-mark. Chanel Inc. and Chanel Limited both suffered prejudice. Similarly to the case of *Singga*, which dealt with the Louis Vuitton and Burberry Trade-marks, the defendants' sale of substantially inferior quality counterfeit Chanel merchandise caused serious damage, and indeed irreparable harm, to the reputation and goodwill of the plaintiffs. Indeed, the worldwide brand of Chanel, which has been developed through decades, is commercializing a high quality of fashion products which attracts a specific clientele. At great expense, Chanel has developed and marked products that are associated with the most luxurious materials. Consumers who could purchase the defendants lower quality of counterfeit products will be likely to be disappointed, which could result by detrimentally affect the sale of authentic Chanel products. Therefore, the defendants' infringements affect directly the superior quality of the products bearing the Chanel trade-marks (see *Singga* at para 12). Likewise, the availability of cheaper counterfeit Chanel products tarnishes the brand image associated to the plaintiffs' trade-mark. Although, this aspect of the infringement may not seem so serious for the defendants, the erosion of the brand's reputation for which the plaintiffs have worked very hard is a serious consequence of the continuing

behaviour of the defendants and any others who may also be infringing the Chanel trade-mark (see *Chu* at para 25).

[41] Accordingly, the Court is satisfied today that there are no reasons to reduce or to sever the sum of \$64,000 previously awarded to the plaintiffs as compensatory damages.

PUNITIVE DAMAGES AWARD

[42] At the hearing of the motion for summary trial in August 2015, as noted in the reasons in support of the original judgment (FC Reasons at para 17), the submissions made by the individual defendants were minimal and did not really address the arguments made by the plaintiffs in their comprehensive submissions. Thus, the Court had no reason at the time to not endorse the plaintiffs' general reasoning and arguments.

[43] In the original judgment, the Court notes at paragraphs 23 and 24:

[23] Additionally, it is submitted by the plaintiffs that punitive and exemplary damages, in the amount of \$250,000, are appropriate in these circumstances. The prior Actions were only settled when Madam Lam and LCK Company agreed in the Settlement to consent to the Order, and additionally the Second Order, both of which unambiguously required, inter alia, that Madam Lam and LCK Company cease sales of all counterfeit Chanel merchandise. In breach of both the Settlement and the Orders, and in further breach of the plaintiffs' rights, the subject defendants nevertheless continued their unlawful activity.

[24] The Court is satisfied that such blatant disregard for the rights of the plaintiffs, as well as the blatant disregard for the process and Orders of this Court, are clearly circumstances under which the subject defendants should be ordered to pay significant punitive and exemplary damages. Given the egregious nature of the subject defendants' activities, the amount of nominal damages awarded above is simply not sufficient to denounce and deter the subject

defendants' activities. Having considered the awards of punitive and exemplary damages granted in the past, the Court is satisfied that an additional award of \$250,000 in punitive and exemplary damages, payable jointly and severally, is appropriate and warranted in the circumstances.

[44] In the present redetermination, the Court has considered, with a fresh look, the totality of the evidence on record in light of the reasons of the Federal Court of Appeal (FCA Reasons at paras 23-26), the applicable legal principles mentioned by the Supreme Court of Canada in *Whiten*, the previous awards of punitive damages in trade-marks (or copyright) infringement cases in Canada, and the submissions made by counsel both in the materials and oral arguments made at the hearing of the motion for summary trial in August 2015 and its redetermination in August 2016, following the written submissions made on behalf of the parties in May 2016. For ease of reference, the Court will not come back on the evidence respecting the finding of personal liability of Mrs. Lam in all four instances of infringement (see paragraphs 25 to 35 above).

[45] On October 23, 2011, the plaintiffs became aware that illegal and infringing activities continued to take place at the Premises. On December 9, 2011, the plaintiffs served LCK Company, Mrs. Lam and Mrs. Lam's husband with a letter demanding that they immediately cease and desist from such illegal and infringing activities. They were uncooperative and refused to relinquish counterfeit items in their possession and control. On April 17, 2013, the plaintiffs commenced the present action against LCK Company, and the individual defendants. While the corporate defendants did not file an appearance, the individual defendants alleged that LCK Company had ceased carrying on business on or around September 30, 2011, and had sold its business assets to '694 Inc. The action was amended on July 2, 2013 to add '694 Inc. as a co-

defendant and to allege that the offering for sale and counterfeit items continued at the Premises on several occasions after the cease and desist letter of October 23, 2011, including most recently, on June 2, 2013.

[46] It is not the first time that LCK Company, Mrs. Lam, and Mrs. Lam's husband, collectively doing business as LAM CHAN KEE, are sued for infringement of the Chanel Trade-marks. On February 13, 2006, two separate actions were commenced in the Court by Chanel S. de R.L. and Chanel Inc. in relation to their offering for sale, selling, importing, distributing, manufacturing, printing, advertising, promoting, shipping, storing, displaying or otherwise dealing in merchandise bearing any or one or more of the Chanel Trade-marks (T-257-06 and T-313-06). As early as August 2, 2005, a pair of earrings bearing an unauthorized or counterfeit reproduction of one or more of the Chanel Trade-marks was purchased at the Premises and a cease and desist letter was served upon these defendants.

[47] On December 18, 2006, following the settlement reached between the parties, two judgments of the Court were issued by consent. As a result, LCK Company, Mrs. Lam and Mrs. Lam's husband were ordered to pay damages in the amount of \$6,000, jointly and severally, and were permanently ordered and restrained from: (1) offering for sale, displaying, advertising, selling, manufacturing, distributing or otherwise dealing in merchandise bearing any of the Chanel Trade-marks; and (2) directing public attention to their wares in such a way as to cause or be likely to cause confusion in Canada those wares and the wares of the plaintiffs contrary to the provisions of section 7(b) of the Act [the 2006 Orders].

[48] Incidentally, as appears from a research in the records of this Court, the plaintiffs were not the only ones to bring an action against Mrs. Lam, Mrs. Lam's husband and, LCK Company for infringement of trade-marks. On February 13 2006, Mrs. Lam, her husband, LCK Company and J&A Accessories were the subject of two separate lawsuits for infringements of Paul Frank Intellectual Property by virtue of the manufacture, the sale and the distribution of counterfeit merchandise bearing Paul Frank Industries' trade-mark. Similarly to the 2006 orders, a settlement was reached by the parties and, on December 18, 2006, upon the consent of the parties, the Court rendered two judgments which ordered Mrs. Lam, the LCK Company and the J&A Accessories to pay, jointly and severally, the amount of \$6,000 for damages and costs to Paul Frank Industries. The Court also ordered the defendants to permanently restrain themselves from offering for sale, displaying, advertising, selling, manufacturing, distributing or otherwise dealing in merchandise bearing any of the Paul Frank Intellectual Property.

[49] Therefore, the subject defendants, including Mrs. Lam, were at all relevant times aware of their obligations under the Act and have no legal excuse to escape the consequences of any wilful infringement of the Act, the terms of settlement and the 2006 Orders, whether or not they have been actually sued in contempt of Court. LCK Company and Mrs. Lam were previously ordered to pay nominal damages of \$6,000 by the 2006 Orders without an associated award of punitive damages. However given their recidivist conduct, it is apparent that those compensatory damages were insufficient and amounted to no more than a "licence fee" which encouraged the subject defendants to pursue their infringing and illegal activities for a number of years.

[50] In a commercial context, this Court has to also keep in mind that the four infringement dates recorded between October 23, 2011 and June 2, 2013 are only showing a small part of the whole infringement committed by the subject defendants during this 20 month period. Indeed, it is materially impossible for a major business such as Chanel to control the daily sales of the defendants nor to establish the full extent of their infringement. Therefore, when uncontradicted evidence of different occasions of infringements is presented, the Court may rightfully or reasonably presume that this unlawful practice has taken place on daily basis for a continuous period of time.

[51] In *Entral Group International Inc v MCUE Enterprises Corp*, 2010 FC 606 [*Entral*], this Court went further in this assumption by inferring negative conclusions from the default of defendant to fully disclose their corporate documentation:

The Defendants have deliberately refrained from filing materials that will show the extent of the profit they have made from their infringing activities. The Court must draw a negative inference from this fact, and it must be assumed that there could be no reason for the Defendants continued use and exploitation of the Plaintiffs' rights in the conduct of their business over a number of years if they were not making a profit (*Entral* at para 51).

[52] In this case, the defendants have not submitted any counterevidence reasonably suggesting this Court that the four events of infringement listed above were isolated events and not part of an overall business scheme designed to distribute and sell counterfeit merchandise on a daily basis. Consequently, the Court can make a negative inference regarding the daily activities of the Business and on the amount of profit the subject defendants gained from this unlawful practice, especially in a commercial context where the inventory varies from day to day.

[53] Although the submissions made in respect of remedies by the defendants at the trial hearing were minimal, Mrs. Lam now suggests that an amount of \$75,000 as punitive damages, payable jointly and severally by the subject defendants, would achieve the Court's objective in imposing punitive damages and would be more in line with the case law. In light of the subject defendants' conduct, both before and after the institution of the plaintiffs' action, the Court cannot accept Mrs. Lam's late suggestion which does not take into account all relevant factors.

[54] Punitive and exemplary damages have been awarded in trade-mark infringement cases where, for example, the conduct of the defendant has been outrageous or highly reprehensible, or in cases where the defendant's actions constituted a callous disregard for the rights of the plaintiff or for injunctions granted by the court. Punitive and exemplary damages have also been awarded in cases where a defendant demonstrates little regard for the legal process and requires the plaintiff to expend additional time and money in enforcing its rights (*Yang* at paras 48-51; *486353 BC Ltd* at para 86; *Singga* at para 168; *Nintendo of America Inc et al v COMPC Canada Trading Inc*, (22 September 2009) Vancouver S082517 (BCSC) at paras 37-38; *Chu* at paras 85-88).

[55] In *Whiten* at paragraphs 112-113, the Supreme Court of Canada has set out the following factors relating to the inquiry into a defendant's blameworthiness:

- Whether misconduct was planned and deliberate;
- The intent and motive of the defendant;
- Whether the defendant persisted in the outrageous conduct over a lengthy period of time;
- Whether the defendant concealed or attempted to cover up its misconduct;

- The defendant's awareness that what he or she was doing was wrong;
- Whether the defendant profited from its misconduct; and
- Whether the interest violated by the misconduct was known to be deeply personal to the plaintiff or a thing that was irreplaceable.

[56] One of the most fundamental aspect of punitive damages is to ensure that the defendant does not treat compensatory damages merely as a licence to get its way irrespective of the legal or other rights of the plaintiff (*Whiten* at para 124). Where a compensatory award is lower and would not achieve the purposes of retribution, denunciation and deterrence, greater punitive damages may be necessary (*Profekta International Inc v Lee (Fortune Book & Gift Store)*, 1997 CanLII 16699 (FCA)). As stated by the Supreme Court of Canada, it is perfectly acceptable to use punitive damages to relieve a wrongdoer of its profits where compensatory damages would amount to nothing more than an expense paid to earn greater profits while flouting the law (*Cinar Corporation v Robinson*, 2013 SCC 73, [2013] 3 SCR 1168 at para 136 [*Robinson*]).

[57] On the other hand, punitive damages should be awarded “if, but only if” compensatory damages are inadequate to punish the defendant (i.e. means that punitive damages are a “topping up” award and a remedy of last resort). The test thus limits the award to an amount that is no greater than necessary to rationally accomplish their purpose (*Whiten* at para 50).

[58] As noted by the Federal Court of Appeal (FCA Reasons at para 24), factors relevant to the rationality assessment include the degree to which the amount awarded is proportionate to the level of the defendant's blameworthiness, the extent of the plaintiff's vulnerability, the nature

and extent of the harm suffered by the plaintiff, and the need for general and specific deterrence. In addition, the quantum awarded should be considered in context, which includes the scope and magnitude of other remedies awarded or likely to be awarded against the defendant, so as to ensure that the amount awarded is no higher than necessary to achieve the court's objective in imposing punitive damages.

[59] In this respect, the Federal Court of Appeal further observed at paragraphs 25 and 26:

[25] Bearing these factors in mind, it is entirely possible that an award of punitive damages in the amount of \$250,000.00 might be a supportable remedy in a case like the present, even though the award is proportionally higher than the awards made in earlier cases. Violation of trade-mark rights through the repeated sale of counterfeit goods is serious misconduct worthy of sanction and justifies damages awards that are high enough so as to deter the defendant and others from engaging in such reprehensible conduct. As was noted in *Singga*, where the Federal Court cited with approval from *R. v. Chui Lau*, (16 November 2006), Richmond 48082-1-48984-2C (B.C.P.C.):

this kind of theft constitutes a very serious offence, more serious than a theft of some other material or property because it strikes at the heart of what differentiates a progressive, creative society [that protects intellectual property rights] from one that is [and does] not.

[26] The need for deterrence is therefore very real and may require a significant punitive damages award where compensatory damages can only be calculated on a nominal basis due to the nature of the defendant's infringing acts. Moreover, the repeated nature of the violations, flouting of court orders and attempts of the appellant to obscure her involvement through the alleged sale of her business to the numbered company are all factors that could legitimately be relied upon to support a significant punitive damages award.

[60] Furthermore, Mrs. Lam referred the Court to different decisions in order to establish a certain precedent for punitive damages in this area of intellectual property for more egregious behaviour (notably on the part of other defendants which have been involved in the importation and the manufacturing of counterfeit product). While the amount of \$250,000 sought in this action by the plaintiffs against the subject defendants looks somewhat higher than some prior cases, the Court is satisfied that it is no higher than necessary to deter the subject defendants' misconduct in these specific circumstances. Furthermore, the original judgment with regard to the punitive and exemplary damages is neither a new threshold nor inconsistent with prior case law.

[61] In the past years, this Court has developed "a very dim view" of defendants who continue to infringe intellectual property rights after being duly notified of the infringement. In *Entral*, this Court granted the plaintiff's claim by ordering the award of \$100,000 as punitive damages. This Court found that such amount of punitive damages was appropriate to punish the defendant and deter similar conduct in the future where a defendant would flagrantly disregard the plaintiff's intellectual property rights, despite express notice of such rights in numerous cease and desist letters.

[62] In *Singga*, this Court ordered the defendants Singga to pay \$200,000 and ordered the defendants Alec to pay \$250,000 as punitive damages for their recidivist action against the Louis Vuitton and Burberry trade-marks and for their blatant disregard of the Court process. The Court also noted that the defendants intentionally sold a large number of counterfeit and infringing items while attempting to conceal their wrongdoing (*Singga* at para 179-180).

[63] More recently, this Court rendered a default judgment against defendants who were involved in an extensive network of wholesale distribution and retail sale of counterfeit merchandise. The defendants were involved in many Flea Markets and warehouse locations in Ontario. A major investigation session revealed that, on at least 24 occasions, the defendants were distributing and selling many counterfeit merchandise like Gucci and other important fashion brand, despite the service of numerous cease and desist letters and notwithstanding the seizure of their counterfeit Gucci merchandise by the police following the execution of a criminal search warrant. This Court then ordered those defendants to pay \$696,000 to the plaintiff as punitive damages, being \$29,000 (minimal compensatory damages for wholesaler) for each of the 24 occasion of infringements, in addition a \$1,392,000 as compensatory damages (*Guccio Gucci SPA and Gucci America Inc v Bobby Bhatia et al* (Unreported) Federal Court File No T-1556-14).

[64] The same defendants were also ordered by this Court, in a separate default judgment, to pay the plaintiffs \$609,000 in punitive damages, in addition to compensatory damages of \$2,436,000 for trade-mark infringement and passing off, and additional damages of copyright infringement (*Louis Vuitton Malletier SA and Louis Vuitton Canada Inc v Bobby Bhatia et al* (Unreported) Federal Court File No. T-1536-14).

[65] The quantification of punitive damages is far from an exact science. Indeed, none of the common law jurisdictions have adopted (except by statute) a formulaic approach, such as a fixed cap or fixed ratio between compensatory and punitive damages (*Whiten* at para 73). Indeed, under common law jurisdiction where the gravity of the conduct warrants it, punitive damages

reaching \$1,000,000 or more have been granted (*Robinson* at para 138; *Whiten* at para 141; *National Bank Financial Ltd v Barthe Estate*, 2015 NSCA 47). On the other hand, under Civil law, punitive damages can only be awarded where they are provided under section 1621 of *Civil Code of Québec*, SQ 1991, c 64, and upon the specific enabling enactment of a law, like section 38.1 of *Copyright Act* or section 53.2 of *Trade-Mark Act*. Before the *Robinson* decision where the Supreme Court of Canada granted \$500,000 as punitive damages, the typical range for punitive damages regarding trade-mark and/or copyright infringement used to be between \$5,000 and \$250,000, especially for recidivist misconduct (*Robinson* at para 138 citing *France Animation, sa c Robinson*, 2011 QCCA 1361 at para 249). In other cases, the Quebec Courts have granted important amount of punitive damages for serious misconduct toward vulnerable parties, reaching \$1,500,000 or more (see *Letourneau v JTI-Macdonald Corp*, 2015 QCCS 2382 (Class action); *Markarian c Marches mondiaux CIBC inc*, 2006 QCCS 3314; *Agence du revenu du Québec c Groupe Enico inc*, 2016 QCCA 76).

[66] Moreover, the different superior courts in common law provinces have also recognized the need to allow for a higher calculation of damages in situations of recidivist counterfeiting activities over a period of time. For example, in 2008, the British Columbia Supreme Courts severely condemned the fact that the plaintiff had clearly disregarded the Anton Pillar order in 2004 and the judgment from the Federal Court since they continued their sales activities. The Court then awarded a total of \$300,000 in punitive damages comprised \$200,000 against the individual that was the principal of the enterprise in question and \$100,000 against the remainder of the defendants, in addition to much higher compensatory damages, totalling \$580,000 for trade-mark infringement (*486353 BC Ltd* at paras 90-91).

[67] In the present case, instead of providing credible evidence or explanations to counter the finding of their deliberate and planned infringement, the corporate defendants have chosen not to appear, while Mrs. Lam now asks this Court to fix the punitive damages to \$75,000 according to her own interpretation of prior decisions. However, representations made by the parties with respect to punitive damages are not a negotiation where the Court is called to split the difference between their respective bargaining positions. Each party must come with clean hands and be willing to enter in a frank and candid dialogue with the Court. Transparency is essential and the parties' respective positions must be consistent with the particular circumstances of the case, including mitigating factors, and as the case may be, the patrimonial situation of the offender, where evidence has been adduced in this regard.

[68] The subject defendants simply failed to provide any credible evidence to prove their good faith and their effort to stop or halt the distribution of counterfeit merchandise in their premises. Moreover, Mrs. Lam has not shown any sense of repentance whatsoever, which would have justified a lower award of punitive damages (see *Singga* at para 172, 180). Bearing in mind all the relevant factors, the Court is satisfied today that an amount of \$250,000 in punitive damages is justified in the particular circumstances of this case and the quantum awarded is sufficient to adequately prevent the defendants' activities from continuing in the future, without exceeding the bounds of rationality.

[69] It would normally suffice for the trial judge who has granted a default judgment or has received minimal submissions by a defendant on the issue of punitive damages to refer to the case law and the applicable law and applicable legal tests. Yet, in view of the fact that the

Federal Court of Appeal specifically noted that “[a]n award [...] of this magnitude [...] calls for an explanation [...] more expansive” than found in the original judgment (see paras 23 and 24 of the FC reasons already cited above), the Court finds it necessary today to list the following key aggravating factors justifying an increased award of \$250,000 in punitive and exemplary damages in this case.

[70] First, there is significant evidence on record regarding the bad faith conduct of the subject defendants over a lengthy period of time (at least from October 2011 to June 2013). Also, it must not be forgotten that Mrs. Lam herself had previously consented to permanently restrain herself and her company from infringing the Chanel trade-marks as a result of the 2006 Orders. Therefore, it is incontestable that the subject defendants acted with full knowledge of the plaintiffs’ rights and the Chanel Trade-marks, and that their misconduct was planned and deliberate.

[71] Second, the subject defendants’ motivation was for profit as they well knew that the counterfeit merchandise which they imported, advertised, offered for sale or sold at the Premises differed from Chanel’s legitimate products in material respects, in that the counterfeit Chanel merchandise is of lower quality, and lacked the high standard quality control associated with genuine Chanel products (FC Reasons at para 12). The present compensatory damages award of \$64,000 is not likely to affect the behaviour of the subject defendants unless they are condemned, jointly and severally, to pay a significant amount of money in punitive damages.

[72] Third, instead of admitting their guilt and promptly correcting the situation, the defendants LCK Company and Mrs. Lam attempted to disclaim any responsibility by putting the blame on Mrs. Lam's children and transferring assets to the defendant '694 Inc. The defendant '694 Inc. provided its full support and cooperation in this scheme and continued to offer for sale or sell counterfeit Chanel merchandise even after the Statement of Claim had been served to LCK Company, Mrs. Lam and Mrs. Lam's husband.

[73] Fourth, it is only after the Statement of Claim was filed and served that Mrs. Lam asserted as a defence that a yet-undisclosed transfer of assets from LCK Company to '694 Inc. had occurred years earlier, allegedly in 2011. The defendants, LCK Company and '694 Inc., failed to file Statements of Defence, nor any independent documentary evidence of the alleged transfer of '694 Inc., which is a further indication of the little regard they have for the legal process.

[74] Fifth, the kind of theft in question constitutes a very serious offence (FCA's reasons at para 25). As stated by the Supreme Court of Canada regarding trade-mark and copyright infringements, conduct of this nature threatens one of the fundamental goals of Canadian copyright law, namely "to prevent someone other than the creator [of a work] from appropriating whatever benefits may be generated" (*Robinson* at para 139). Since this offending conduct was lucrative to the defendants, the Court is satisfied that the punitive damages associated with it should be significant.

[75] Sixth, the plaintiffs were forced to spend a considerable sum of money to obtain judgment from the Court while the subject defendants have shown no sign of remorse whatsoever. Mrs. Lam and LCK Company are recidivist offenders who were not only in violation of the 2006 Orders of the Court but continued to infringe the plaintiffs' rights after the 2011 cease and desist letter and the institution of the present action in April 2013.

[76] Seventh, Mrs. Lam also made attempts to materially mislead the Court regarding her involvement, which required additional effort and expense on the part of the plaintiffs, while concurrently failing to adduce evidence regarding the scope of the defendants' infringement of the plaintiffs' rights.

[77] Eighth, the plaintiffs' vulnerability stands on the impossibility for them to control daily unauthorized distribution of counterfeit merchandise in the defendants' Premises. As described in the *Whiten* decision, the courts must assess what sum would be proportionate to the need for deterrence. Consequently, the financial or other vulnerability of the plaintiff, and the consequent abuse of power by a defendant, is highly relevant where there is a power imbalance, as it was clearly the case in *Robinson*. Even if the financial capacity of the plaintiffs is not a concern in the present case, the plaintiffs remain vulnerable for the control of the standard of quality of products bearing the Chanel trade-mark. Where licensees have to comply with the Chanel's strict norms of control, plaintiffs have no control over the quality and design of counterfeit merchandise bearing Chanel trade-mark sold by unauthorized vendors in flea markets or in fixed retail establishments. Therefore, the vulnerability of the plaintiffs lies on their incapacity to control the

daily sale of counterfeit merchandise which diminishes the value of the goodwill associated with the Chanel trade-marks.

[78] Finally, the subject defendants have failed to produce any records which relate to their purchases of counterfeit Chanel merchandise and/or their sale of counterfeit merchandise, making it virtually impossible to determine what precise amount of punitive damages would be required to relieve the subject defendants of profits in excess of the damages assessed above (see *Harley Davidson* at para 51). This illustrates again the bad faith of the subject defendants and their attempt to conceal the real extent of their profit from the infringements of the plaintiffs' trade-mark.

[79] When considered in this complete context, the Court finds that the malicious, oppressive and high-handed misconduct of the subject defendants warrants a condemnation to pay \$250,000 in punitive damages, jointly and severally. This award of punitive damages respects the boundaries of rationality. It is not excessive in the Court's opinion considering the case law and the particular facts of the case. Again, it is very important to eradicate the recidivist misconduct of the subject defendants and send a strong message to other offenders who are likely to engage or have engaged in similar conduct or likely attempts to obscure or conceal their misconduct through the sale of their business or a corporate makeover. Thus, there are no reasons today to reduce the amount of \$250,000 originally awarded to the plaintiffs' in punitive damages.

[80] Furthermore, the subject defendants shall also pay to the plaintiffs post judgment interest on the amounts awarded above as damages and punitive and exemplary damages, calculated

from the date of this judgment at the current rate of 2.00% and at future rates determined according to the *Courts of Justice Act*, RSO 1990, c C-43 and the *Publication of Postjudgment and Prejudgment Interest Rates*, O Reg 339/07. This leaves the issue of costs which will be addressed below.

COSTS AWARD

[81] With respect to costs, the Court noted in the original judgment at paragraphs 26 and 27:

[26] Finally, the plaintiffs also submit that given the deliberate and knowing infringement of the Chanel Trade-marks and the obstructive conduct of the defendants in deliberately delaying this proceeding, along with the substantial additional fees incurred by the plaintiffs as a result of such actions, they should be awarded their solicitor and client costs in a lump sum to be determined by this Court (approximately \$110,000). In the alternative, it is submitted that the plaintiffs ought to be awarded the tariffed costs of this proceeding, the total amount of \$13,007.57 reflecting tariffed fees in the amount of \$8,190 plus disbursements of \$4,817.57.

[27] The Court is satisfied that the plaintiffs have incurred higher legal fees and disbursements partly as a result of the unresponsiveness of the individual defendants who ignored repeated requests for documents, resulting in their counsel being removed from the record as well as further delays. On the other hand, in awarding \$250,000 as punitive damages, the Court has already taken into account the deliberate and knowing infringement of the Chanel Trade-marks. Thus, the Court will reduce by a factor of 40% the amount calculated by the plaintiffs on a solicitor-client basis. The Court will award to the plaintiffs the sum of \$66,000 in lieu of assessed costs, which shall be payable forthwith by the subject defendants in view of their reprehensible conduct in the proceeding.

[82] In remitting this matter for redetermination, the Federal Court Appeal did not find any error with the Court's determination of costs. The only reason for setting aside the costs award

was pragmatic: in redetermining the matter of damages, perhaps the Court may come to a different result and should ask itself if it has any impact on costs.

[83] Be that as it may, I agree with the plaintiffs' counsel that what has a direct impact on costs is not the amount of compensatory or punitive damages awarded by the Court, but the extent of work and disbursements incurred by the plaintiffs to obtain judgment against the subject defendants. In any event, considering the present result, which remains unchanged, I see no basis today to reduce the amount of \$66,000 originally awarded to the plaintiffs in lieu of assessed costs.

[84] Finally, considering that the present redetermination of the motion in summary trial has been conducted as a result of the judgment rendered by the Federal Court of Appeal, allowing Mrs. Lam's appeal without costs, and that neither party should be held responsible of the ambiguity or lack of adequate reasons in the original judgment, there shall be no additional costs with respect to the redetermination of the motion for summary trial.

[85] Accordingly, the subject defendants shall pay forthwith to the plaintiffs the sum of \$66,000 in lieu of assessed costs relating to costs up and including the original judgment of the Court and the present redetermination.

JUDGMENT

UPON judgment and reasons having issued on September 18, 2015 in *Chanel S de RL v Kee*, 2015 FC 1091 [FC Reasons] [original judgment] in default against Lam Chan Kee Company Ltd. [LCK Company] and 2133694 Ontario Inc. ['964 Inc] [collectively, the corporate defendants] and in summary trial against Annie Lui Kwan Lam [Mrs. Lam] [collectively, the corporate defendants and Mrs. Lam, collectively, the subject defendants];

AND UPON Mrs. Lam appealing the original judgment to the Federal Court of Appeal, and the Federal Court of Appeal in its reasons for judgment and judgment dated April 4, 2016 in *Kwan Lam v Chanel S de RL*, 2016 FCA 111 [FCA Reasons] setting aside the original judgment and remitting the summary trial motion for redetermination in accordance with the FCA Reasons, to resolve an ambiguity relating to the June 2, 2013 infringement and redetermine, with adequate reasons, the quantum of damages and costs;

AND UPON considering the submissions of the plaintiffs and Mrs. Lam;

AND UPON the FCA Reasons stating that but for the ambiguity relating to the June 2, 2013 infringement, there is no ground to set aside any other findings concerning Mrs. Lam's involvement and responsibility in this matter;

AND UPON being satisfied for the particular reasons accompanying the present judgment that the defendant Mrs. Lam is jointly and severally liable with the corporate defendants for the June 2, 2013 infringement, and that the compensatory damages award, the punitive award and the costs award are appropriate based on the criteria enunciated in the FCA Reasons, and that therefore the original judgment ought not to be disturbed by the Court;

THIS COURT'S JUDGMENT is that:

1. The findings, declarations, orders and condemnations pronounced or made against the corporate defendants and Mrs. Lam in the original judgment, including the compensatory damages award, the punitive damages award and the costs award, are confirmed and shall remain unchanged;
2. The Court allows in part the motion for summary trial presented by the plaintiffs, Chanel S. de R.L., Chanel Limited [Chanel] and Chanel Inc. [collectively the plaintiffs].
3. The Court dismisses the action against the defendant Siu-Hung Lam.
4. The Court allows that part of the plaintiffs' motion for summary trial against Mrs. Lam and renders judgment accordingly.
5. In all respects and at all relevant times, Mrs. Lam is personally liable of the infringing activities that have taken place in the conventional retail store operating under the name LAM CHAN KEE [the Business] at Unit B25, Pacific Mall, 4300 Steeles Avenue East, Markham, Ontario [the Premises] on October 23, 2011, December 9, 2011, April 26, 2012 and June 2, 2013, and in between.
6. The Court also allows that part of the plaintiffs' motion for default judgment against the corporate defendants and renders judgment accordingly.

7. Chanel is the owner in Canada of the trade-marks and trade-mark registrations listed in Schedule “A” hereto [Chanel Trade-marks]; said registrations are valid; and the Chanel Trade-marks have been infringed by the subject defendants contrary to sections 19 and 20 of the *Trade-marks Act*.
8. The subject defendants, and each of them, have used the Chanel Trade-marks in a manner likely to have the effect of depreciating the value of the goodwill attaching thereto, contrary to section 22 of the *Trade-marks Act*.
9. The subject defendants, and each of them, have directed public attention to their goods in such a way as to cause or to be likely to cause confusion in Canada between the subject defendants’ goods and the goods and business of the plaintiffs, contrary to section 7(b) of the *Trade-marks Act*.
10. The subject defendants, and each of them, have passed off their goods as and for those of the plaintiffs, contrary to section 7(c) of the *Trade-marks Act*.
11. The subject defendants, and each of them, have used, in association with fashion accessories, a description which is false in a material respect and which is of such a nature as to mislead the public with regard to the character, quality and/or composition of such goods, contrary to section 7(d) of the *Trade-marks Act*.
12. The subject defendants, and each of them, by themselves and their servants, workmen, agents and employees, are permanently restrained and enjoined from, directly or indirectly:

- (a) further infringing the Chanel Trade-marks;
 - (b) using the Chanel Trade-marks, any words, or combination of words, or any other design, likely to be confusing with the Chanel Trade-marks, as or in a trade-mark or trade-name, or for any other purpose;
 - (c) depreciating the value of the goodwill attaching to the Chanel Trade-marks;
 - (d) directing public attention to any of their goods in such a way as to cause or to be likely to cause confusion between their goods and the goods and business of the plaintiffs;
 - (e) passing off their goods as and for those of the plaintiffs; or
 - (f) using in association with fashion accessories a description which is false in a material respect and which is of such a nature as to mislead the public with regard to the character, quality and/or composition of such goods.
13. Within twenty-one (21) days of the Judgment, the subject defendants shall deliver up to the plaintiffs, at their own expense, all articles in their possession, custody or power which offend in any way against any order which is made herein.
14. The subject defendants are condemned to pay to the plaintiffs the amount of \$64,000, as damages, payable jointly and severally.
15. The subject defendants are condemned to pay to the plaintiffs the amount of \$250,000, as punitive and exemplary damages, payable jointly and severally.

16. The subject defendants shall pay to the plaintiffs post-judgment interest on the amounts awarded above as damages and punitive and exemplary damages, calculated from the date of this Judgment at the current rate of 2.00% and at future rates determined according to the *Courts of Justice Act*, RSO 1990, c C 43 and the *Publication of Postjudgment and Prejudgment Interest Rates*, O Reg 339/07.



17. The subject defendants shall pay forthwith to the plaintiffs the sum of \$66,000 in lieu of assessed costs.




“Luc Martineau”

Judge

SCHEDULE A

[BLANK]	Trade-mark	Registration/ Application No.	Date of first use:	Registration Date:	Wares/Services
CHANEL	CHANEL	TMA194,870	(1) February 4, 1972	October 19, 1973	(1) Watches
CHANEL	CHANEL	TMA143,648	(1) 1925	January 28, 1966	WARES (1) Wearing apparel for women, namely ensembles, tailor-made suits, dresses, jackets, blouses and neckwear, namely, silk neckerchiefs, silk squares and scarves.
			(2) 1925		(2) Buttons, pins and artificial jewellery.
			(3) 1925		(3) Jewellery.
			(4) April 6, 1972		(4) Shoes and leather goods, namely wallets, pocketbooks, purses and belts.
			(5) March 22, 1985		(5) Neckties, belts made of metal, fabric, synthetic materials or combinations of these with leather.
			(6) September 4, 1986		(6) Hair accessories, namely, pins, bows, hair bands, clips; artificial flowers.
			(7) February 18, 1972		(7) Lighters.
			(1) February 18, 1987		SERVICES (1) Operation of boutiques selling clothing, perfumery, and accessories.

[BLANK]	Trade-mark	Registration/ Application No.	Date of first use:	Registration Date:	Wares/Services
CHANEL	CHANEL	UCA 18468	(1) 1920	August 12, 1943	(1) Toilet preparations, namely perfume, eau de cologne, eau de toilette, bath powder, bath oil, after bath oil, body crème, bathing gel, soap, eau de parfum, after shave, after shave moisturizer, shave cream, after shave balm, cologne, deodorant stick, moisture balm, protective skin conditioner.
			(2) December 28, 1984		(2) Cosmetic products, namely, skin creams, beauty masks, body lotion, moisturizers, blush, liquid and crème makeup, toner, freshner, lip makeup, nail enamel, nail enamel remover, nail and cuticle treatment, powder, eye makeup, skin cleansers, makeup remover, makeup brushes.
CHANEL	CHANEL	TMA569,181	(1) June, 1992	October 21 2002	(1) Eyeglasses, sunglasses, frames and cases therefor.
	CC Design	TMA534,356	(1) June, 1992	October 11, 2000	(1) Eyeglasses, sunglasses, frames and cases therefor.
	CC Design	TMA345,284	(1) April 11, 1988	September 23, 1988	(1) Wearing apparel, namely skirts, blouses, pants, jackets, sweaters, cardigans and strapless bras; costume jewellery; leather goods, namely handbags, belts, leather purses, pouches; accessories, namely barrettes, gloves, ties, shawls, scarves, cloth and chain belts.

[BLANK]	Trade-mark	Registration/ Application No.	Date of first use:	Registration Date:	Wares/Services
	CC Design	TMA687,122	(1) March 1, 2001	May 8, 2007	(1) Towels, blankets, decorative pillows.
	CC Design	TMA649,677	(1) March 15, 2004	October 5, 2005	(1) Handbags.
	CC Design	UCA18537	(1) 1920	August 12, 1943	(1) Toilet preparations, namely perfume, eau de cologne, eau de toilette, bath powder, bath oil, after bath oil spray, body lotion, body crème, milk bath crème, bathing gel, soap, after shave balm, cologne, deodorant stick.
			(2) August 8, 1986		(2) Costume jewelry
			(3) September 4, 1986		(3) Hair accessories, namely, pins, bows, hair bands, clips; artificial flowers.
			(4) January 25, 1988		(4) Men's and woman's clothing, namely neckties, hats, shawls, belts, suits, jackets, skirts, dresses, pants, blouses, tunics, sweaters, cardigans, T- shirts, coats, hairbows; shoes.

[BLANK]	Trade-mark	Registration/ Application No.	Date of first use:	Registration Date:	Wares/Services
			(5) January 25, 1988		(5) Cosmetic products, namely skin creams, beauty masks, body lotion, moisturizers, blush, liquid and crème makeup, toner, freshner, lip makeup, nail enamel, nail enamel remover, nail and cuticle treatment, powder, eye makeup, skin cleansers, makeup remover; makeup brushes.
	CC Design	TMA339,904	(1) February 11, 1988	May 6, 1988	(1) Operation of boutiques selling clothing, perfumery, and accessories.

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-653-13

STYLE OF CAUSE: CHANEL S. DE R.L., CHANEL LIMITED AND,
CHANEL INC. v LAM CHAN KEE COMPANY LTD.,
ANNIE PUI KWAN LAM AND SIU-HUNG LAM,
COLLECTIVELY DOING BUSINESS AS LAM CHAN
KEE AND 2133694 ONTARIO INC.

PLACE OF HEARING: VANCOUVER, BRITISH COLUMBIA

DATE OF HEARING: AUGUST 3, 2016

JUDGMENT AND REASONS: MARTINEAU J.

DATED: AUGUST 30, 2016

APPEARANCES:

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Mr. Mathew Brechtel

Mr. Richard Parker FOR THE DEFENDANT
ANNIE PUI KWAN LAM

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