

Federal Court



Cour fédérale

Date: 20210210

Docket: T-773-19

Citation: 2021 FC 136

Ottawa, Ontario, February 10, 2021

PRESENT: Madam Justice Walker

BETWEEN:

CANADIAN STANDARDS ASSOCIATION

Applicant

and

PHARMA PLASTIC INDUSTRIES INC.

Respondent

JUDGMENT AND REASONS

[1] Canadian Standards Association, the Applicant, applies to the Court for declaratory and injunctive relief and an award of damages against Pharma Plastic Industries Inc., the Respondent. The Applicant alleges that the Respondent manufactured, distributed, offered for sale and sold in Canada pharmaceutical vials and caps bearing the Applicant's registered trademarks without permission or license. The sales were made to a number of pharmacies in the Toronto area, including Shoppers Drug Mart, prior to the Respondent completing the Applicant's certification

process. The Applicant relies on a combination of sections 7, 19, 20, 22 and 53.2 of the *Trademarks Act*, RSC 1985, c T-13 (the Act).

[2] The Respondent does not dispute its unauthorized sales or the Applicant's requests for declaratory and injunctive relief. The remaining issue between the parties is the nature and quantum of damages to be awarded to the Applicant.

[3] This matter was heard by videoconference on September 10, 2020. The Respondent did not appear at the hearing, having ceased any meaningful participation in the Court's process in July 2019.

I. The parties

[4] The Applicant is recognized as a global leader in standards development, testing, inspection and certification services for products in a wide range of market sectors. It is a not-for-profit corporation and is the registered owner in Canada of the trademarks appearing in Annex A to this judgment (CSA Trademarks or Marks). The presence of the CSA Trademarks on a product signifies to the public that the product has been independently tested and inspected and is certified to the particular standard for that product. The Applicant has used the CSA Trademarks continuously in Canada since 1944 to permit manufacturers and vendors to distinguish their products from any similar products that have not undergone CSA testing and certification.

[5] The Respondent is a Canadian corporation that manufactures and sells plastic vials, jars and blister packs to pharmacies for use in distributing prescription medicines. The products in issue are vials of various colours and sizes and their different lid closures (child resistant lug-finish and snap cap).

II. The parties' evidence

[6] The parties' evidence consists of four affidavits, three filed by the Applicant and one by the Respondent:

1. Affidavit and exhibits of Ammar Bahsoun, Product Safety & Compliance Manager for CSA Group Testing & Certification Inc., a subsidiary of the Applicant, dated May 1, 2019 (Bahsoun Affidavit);
2. Affidavit and exhibits of Daryl Somes, director and investigator for Backlit Resource Group Inc., a licensed private investigation agency retained by the Applicant, dated May 8, 2019 (Somes Affidavit);
3. Affidavit and exhibits of Jeff Vansteenkiste, Manager of Internet Investigations at the Applicant's law firm, dated May 9, 2019 (Vansteenkiste Affidavit); and
4. Affidavit and exhibits of Maged Saad, then President of the Respondent, dated July 15, 2019 (Saad Affidavit).

III. The parties' contractual relationship

[7] In 2017, the Respondent began development of two new plastic vial products to be marketed and sold to Canadian pharmacies (New Products): Child Resistant (Lug-finish) Cap Vials and Snap Cap Vials.

[8] In June 2017, Mr. Saad contacted the Applicant to request testing and certification of specific New Products. He advised the Applicant that the Respondent would be opening a factory for production of the New Products.

[9] The Applicant sent the Respondent a quote dated June 26, 2017 that set out the scope of New Products to be submitted for certification, the testing and certification process for the New Products, the certification standard (Z76.1-16) and the applicable fees. The only New Products submitted for certification and the certification standard requested were:

1. Child resistant packages, Type IIA. Lug Style, Non-liquid dispensing 8, 13, 16 & 20 DR blue and amber vials with 32 mm white cap and medium clear liner; 30, 40 & 60 DR blue and amber vials with 50 mm white cap and large clear liner.
2. Standard: Z76.1-16.

[10] No clear or Snap Cap Vials were submitted to the Applicant for certification.

[11] The Respondent accepted the June 26, 2017 quote in writing on July 17, 2017 and forwarded its purchase order to the Applicant. I will refer to the resulting contract between the parties as the "June 2017 Contract".

[12] Standard Z76.1-16 applies to vials and other packages that incorporate safety features that restrict a child's ability to access the content of the vials. Products may use a continuous thread, lug-finish or snap closure. Standard Z76.1-16 imposes labelling requirements to identify products that are a complete "CSA Certified Child Resistant package" (vial and cap/closure). The labelling requirements specify the particular CSA Trademark that must be used on each of the vial and cap.

[13] CSA certification to Standard Z76.1-16 requires satisfactory completion of four stages: (1) protocol testing; (2) CSA physical testing; (3) initial factory evaluation; and (4) completion

of the CSA report and issuance of the CSA certificate of compliance and authorization to use the CSA Trademark(s).

[14] The certification process for the Respondent's lug-finish vials and caps continued through the first half of 2018. The Respondent participated in two rounds of protocol testing, an initial factory evaluation and CSA physical testing, obtaining approvals at a number of stages of the process.

IV. The Respondent's use of the CSA Trademarks prior to successful certification

[15] By way of starting point, plastic prescription vials, vial closures and pharmaceutical packaging are required by law in Canada to comply with certain standards. At the heart of these standards is consumer safety and public confidence in the distribution of prescription medicine.

[16] Between July 9 and August 10, 2018, the Respondent sold a limited number of New Products stamped with CSA Trademarks (Unauthorized CSA Products) to 13 different pharmacies in the Toronto area. At that time, the CSA certification process was not complete and the Respondent had not been licensed to use the CSA Trademarks in association with any of its New Products or packaging. The bulk of the sales involved Unauthorized CSA Products using a lug-finish cap but the Respondent also sold Unauthorized CSA Products using snap cap closures to four pharmacies and clear vials to one pharmacy, despite having made no request for certification of its Snap Cap Vials or clear vials. The Respondent also completed a sale of Unauthorized CSA Products, including clear vials and snap cap closures, via its website to Mr. Vansteenkiste on August 10, 2018.

[17] In August 2018, the Applicant discovered the Respondent's sales of Unauthorized CSA Products. The Respondent does not dispute the unauthorized sales, limiting its submissions to the purpose and scope of the sales.

[18] Upon discovery of the Respondent's unauthorized use of the CSA Trademarks, the Applicant's counsel sent the Respondent a cease and desist letter dated August 27, 2018 (Cease and Desist Letter). The CSA certification process was halted with the following results:

1. None of the Respondent's New Products (vials or closures) was certified to Standard Z76.1-16.
2. The Respondent did not receive a Certificate of Compliance for any New Products.
3. The Respondent's failure to complete the CSA certification process meant that the license contemplated in the June 2017 Contact was not granted and Respondent was not authorized to use the CSA Trademarks in association with its New Products.

V. The Cease and Desist Letter

[19] The Cease and Desist Letter informed the Respondent that the Applicant had learned of its sales of Unauthorized CSA Products and that the advertising, offering for sale and selling of Unauthorized CSA Products violated the Applicant's trademark rights and would not be tolerated. The Letter informed the Respondent that the CSA certification process had been placed on hold.

[20] The Cease and Desist Letter requested that the Respondent provide detailed information and financial records regarding its worldwide sales of Unauthorized CSA Products and written confirmation that it had ceased all such activities. The Letter also requested delivery to the

Applicant's counsel of all products bearing the CSA Trademarks in the Respondent's possession, custody or control, removal of all Unauthorized CSA Products from its website, and removal of all CSA Trademarks from the Respondent's packaging materials.

[21] The Applicant submits that the Respondent failed to comply with the Cease and Desist Letter and continued to sell Unauthorized CSA Products. Most notably, the Respondent offered for sale and sold Unauthorized CSA Products to Shoppers Drug Mart in September 2018. Despite evidence in the record substantiating the Applicant's submission, the Respondent states that it immediately ceased all unauthorized conduct and, by July 15, 2019, had complied or agreed to comply with the terms of the Cease and Desist Letter.

VI. The procedural history of the application

[22] The Applicant filed its Notice of Application on May 9, 2019. On December 4, 2019, the proceeding was placed into case management to provide structure and deadlines for completion of the steps necessary to advance to a hearing.

[23] On March 12, 2020, the solicitors for the Respondent, Shift Law Professional Corporation (Shift Law), filed a motion with the Court for an order removing the firm as solicitors of record. The Respondent did not respond to the motion. The motion was allowed and Shift Law removed as solicitors of record on June 25, 2020, on the basis that there had been a breakdown of the solicitor and client relationship and that the circumstances justified the removal. Subsequently, Shift Law informed the Court that they were unable to serve the Order personally because the Respondent was not operating at the physical address on file. However,

the Order had been transmitted to the Respondent by email and sent by regular mail to its last known address. Substitutional service by email and regular mail was permitted by the Court pursuant to Rule 136 of the *Federal Courts Rules*, SOR/98-106.

[24] The Respondent's participation in this proceeding has been minimal, having filed no record or factum. Its substantive evidence in the record is limited to the Saad Affidavit dated July 15, 2019. As stated above, the Respondent did not participate in the hearing of the application.

VII. Issues and relief sought

[25] The issues before me are:

1. Is the Applicant entitled to declaratory and injunctive relief against the Respondent?
2. Is the Applicant entitled to damages pursuant to subsection 53.2(1) of the Act?
3. The scope of the Applicant's entitlement to damages:
 - A. Compensatory damages based on the Respondent's unauthorized use of the CSA Trademarks calculated, in part, with reference to the costs incurred as a result of the Respondent's failure to pay the amounts due under the June 2017 Contract; and
 - B. Punitive damages.

[26] For ease of reference, the relevant provisions of the Act are set out in Annex B to this judgment.

VIII. Analysis

1. Is the Applicant entitled to declaratory and injunctive relief?

[27] The Applicant relies on a combination of sections 19 and 20, subsections 7(b), (c) and (d) and subsection 22(1) of the Act in support of this application. The Applicant submits that the Respondent's sales of Unauthorized CSA Products breached its right to the exclusive use of the CSA Trademarks in Canada and infringed the CSA Trademarks contrary to sections 19 and 20 of the Act. The Applicant also submits that the Respondent has: (1) directed public attention to the Unauthorized CSA Products in such a way as to be likely to cause confusion in Canada between those Products and CSA-certified products of other suppliers, contrary to subsection 7(b); (2) passed off the Unauthorized CSA Products as and for those ordered or requested, contrary to subsection 7(c); (3) made use of the CSA Trademarks in a false and material way that is likely to mislead the public as to the character, quality or composition of the Unauthorized CSA Products, contrary to subsection 7(d); and (4) depreciated the value of the goodwill attaching to the CSA Trademarks, contrary to subsection 22(1) of the Act.

[28] None of the Applicant's ownership, registration or long continuous use in Canada of the CSA Trademarks is at issue, nor does the Respondent dispute the Applicant's claim of unauthorized use of the CSA Trademarks. The Respondent acknowledges in the Saad Affidavit "that the only outstanding issue is the amount of money that CSA is still demanding from [the Respondent]". The focus of the Saad Affidavit is the Respondent's explanation for why it engaged in what it describes as limited promotional activities with a number of Ontario pharmacies prior to completion of the CSA certification process.

[29] The Applicant has demonstrated that:

1. The Respondent has, and had at all relevant times, full knowledge of the necessity and importance of the CSA Trademarks to the commercial success of the New Products. It was aware that the New Products could not be sold to and used by pharmacies without completion of the CSA certification process and authorized use of the CSA Trademarks on the New Products and packaging.
2. The Respondent entered into the June 2017 Contract for certification to Standard Z76.1-16 of its child resistant packages, lug style, non-liquid dispensing 8, 13, 16, 20, 30, 40 and 60 DR blue and amber vials with lug-finish caps.
3. The Respondent did not and has not completed the CSA certification process for any of the New Products, including those listed in the June 2017 Contract. At no time has the Respondent applied for or received CSA certification for any vials or other products to be used with snap cap closures. Mr. Bahsoun emphasizes these points in his affidavit.
4. The Respondent sold, distributed and manufactured in Canada Unauthorized CSA Products. Sales of Unauthorized CSA Products were made to pharmacies in the Toronto area and to Mr. Vansteenkiste for compensation and samples of Unauthorized CSA Products were provided by Mr. Saad to Mr. Somes. The Somes Affidavit describes Mr. Somes' attendance at the Respondent's offices on August 10, 2018 as a potential customer in furtherance of his investigation on behalf of the Applicant. He details his conversation with Mr. Saad, lists the samples received and includes photographs of the samples bearing the CSA

Trademark(s). The Respondent acknowledges only its sales to pharmacies in the Saad Affidavit and attaches as Exhibit B a report listing its sales of Unauthorized CSA Products, the pharmacies involved, invoice number, number and type of products sold and amounts invoiced.

5. The Respondent's sales of "Child Resistant Snap Cap Vials" to four pharmacies are listed in Exhibit B to the Saad Affidavit. As stated above, no vials bearing snap cap closures were submitted to the Applicant for certification. The Respondent also sold clear vials to one of the pharmacies and to Mr. Vansteenkiste. Again, no clear vials were submitted to the Applicant for certification.
6. The Respondent engaged in the promotion and sale of Unauthorized CSA Products and packaging displaying the CSA Trademark(s) prior to completion of the CSA certification process via its website.
7. Exhibits I and J to the Vansteenkiste Affidavit contain photographs of Unauthorized CSA Products Mr. Vansteenkiste received via internet purchase made on August 10, 2018 from the Respondent. The photographs depict a vial designed for a lug-finish cap closure, stamped with the CSA Trademark, and the snap cap sold with it. The website sale of Unauthorized CSA Products to Mr. Vansteenkiste was not disclosed by the Respondent in the table of sales included as Exhibit B to the Saad Affidavit.
8. The Respondent received the Cease and Desist Letter and has failed to comply with its terms. In the Saad Affidavit and on cross-examination, Mr. Saad disputes

the Respondent's alleged non-compliance but his statements are not persuasive.

The Applicant's evidence establishes that, after receipt of the Cease and Desist Letter, the Respondent engaged in at least one sale of nine boxes of Unauthorized CSA Products and packaging displaying the CSA Trademark(s) (containing in excess of 1,000 Child Resistant Cap Vials) to a pharmacy in the Toronto area. The evidence contains a letter from the Applicant's counsel to the pharmacist informing him he had purchased Unauthorized CSA Products. The pharmacist's reply confirmed receipt of the Unauthorized CSA Products and enclosed the invoice for those Products.

9. The Respondent has failed to comply with undertakings given during Mr. Saad's cross-examination to, among other items, provide complete financial records regarding its sales and/or distribution of Unauthorized CSA Products and produce 2,000 boxes bearing the CSA trademarks that remain in the Respondent's possession.

[30] I find that the Applicant has established the infringement of its exclusive right to use the CSA Trademarks. The Respondent knowingly engaged in sales of Unauthorized CSA Products before and after receipt of the Cease and Desist Letter, contrary to sections 19 and 20 of the Act. The Respondent's argument that it engaged only in promotional activities is not persuasive. It engaged in a course of wrongful conduct and certain of the products sold were never part of the CSA certification process.

[31] There was little argument before me regarding the constituent elements necessary to succeed under section 7 of the Act. However, the Respondent acknowledges its wrongful conduct and the scope of declaratory and injunctive relief requested in the Notice of Application, including relief based on section 7, and the evidence is indicative of breaches of subsections 7(b), (c) and (d) of the Act by the Respondent. It is not necessary for me to make a finding that the Respondent's sales of Unauthorized CSA Products breached subsections 7(b), (c) and (d) but the nature of the Respondent's conduct fully warrants the full scope of the declaratory and injunctive relief sought by the Applicant, including that based on section 7.

[32] The Applicant's evidence focused on depreciation of the goodwill in the CSA Trademarks as a result of the Respondent's unauthorized use of the Marks. The evidence is persuasive. The value of the CSA Trademarks is inextricably linked to the public's confidence in the Applicant's safety and quality standards and the rigour of its testing protocols. I find that the Respondent's unauthorized use of the CSA Trademarks was likely to have the effect of depreciating the value of the goodwill attaching thereto, contrary to subsection 22(1) of the Act.

[33] Accordingly, I will grant the Applicant's requests for declaratory and injunctive relief pursuant to subsection 53.2(1) of the Act. The scope of the Court's declaration and grant of such relief reflects the relief sought in the Notice of Application and is set out in the Judgment and Order attached to these Reasons.

2. Is the Applicant entitled to damages pursuant to subsection 53.2(1) of the Act?

[34] The Applicant submits that it is entitled to damages in this application and I agree. The Applicant has requested compensatory damages or an accounting for profits, damages in respect

of the Respondent's failure to pay the amount due under the June 2017 Contract, and punitive or exemplary damages to address the Respondent's intentional and continued misuse of the CSA Trademarks.

[35] For the reasons that follow, I find that an award of compensatory damages in the amount of \$50,000.00 is appropriate. I have calculated the quantum of the award taking into account the unpaid services and license fees payable to the Applicant under the June 2017 Contract. Further, I find that the Respondent's failure to disclose the scope of its sales of Unauthorized CSA Products and its disregard of the Cease and Desist Letter warrant an award of punitive damages in the amount of \$25,000.00.

[36] An accounting of profits is not an appropriate measure of damages in this case. First, the profits associated with the Respondent's sales of Unauthorized CSA Products bear little rational relation to the resulting depreciation in value of the CSA Trademarks and the potential harm to the public. Second, the scale developed in the jurisprudence to calculate minimum compensatory damages does not translate to the Applicant's status as a standards body or the Respondent's limited operations vis-à-vis the New Products either as a manufacturer or vendor of the New Products. The scope of the Respondent's unauthorized sales is most relevant to an assessment of compensatory and/or punitive damages as the numbers of sales and vials sold impacts the harm that may result from the use of uncertified dispensing containers for prescription medicine and the depreciation of goodwill and public confidence in the CSA Trademarks.

[37] In *Louis Vuitton Malletier S.A. v Wang*, 2019 FC 1389 (*Louis Vuitton*), a comprehensive decision canvassing the evolution of the Court's approach to the award of minimum compensatory damages, Justice Roy stressed the principle that damages are meant to be purely compensatory. In each case, the Court must make its best effort to assess the damages and must not become formulaic in its approach. The parameters established in the case law of per instance damage amounts are not to be applied without consideration of the evidence, the nature of the goods, and the scope of the respondent's operations in each case. My consideration of the evidence and the operations of both the Applicant and Respondent lead to the conclusion that an award of minimum compensatory damages does not best reflect the principle of compensation. The Applicant's submission that the Respondent's conduct warrants an award of damages for trademark infringement and passing off on the minimum compensatory damage scale at the rate of \$30,000 per occurrence (\$480,000 in total), is not supported by the evidence or by a reasonable extrapolation from that evidence.

3. Scope of the Applicant's entitlement to damages

A. Compensatory damages

[38] My assessment of the Applicant's request for compensatory damages rests on two factors: (1) the potential impact of the Respondent's sales of Unauthorized CSA Products on the goodwill in the CSA Trademarks; and (2) the out-of-pocket expenses suffered by the Applicant and the license fees payable under the June 2017 Contract.

[39] The Applicant addressed the existence and importance of the goodwill in the CSA Trademarks in the Bahsoun Affidavit. Mr. Bahsoun speaks to the Applicant's registration and long use of the CSA Trademarks and its dedication to the development of consensus standards

for safety and quality and the provision of product testing, inspection and certification. He emphasizes the trust placed by the public in the CSA Trademarks and the potential harm from any use of the Marks in connection with goods that have not completed the CSA certification process. Mr. Bahsoun describes the status of the CSA Trademarks as follows:

The presence of certain of the CSA trademarks on a product signifies to consumers and appropriate regulatory authorities that the product samples have been independently tested and inspected and found to be certified with the relevant industry standards for that product.

[40] Mr. Bahsoun states that the harm to the Applicant's role and goodwill if the CSA Trademarks are associated with uncertified goods and services is immeasurable. I find little overstatement in that description. The Applicant depends on the confidence of regulatory bodies, manufacturers, vendors and consumers in continuing its operations as a standards body. The confidence is exercised most obviously by the public's reliance on the presence of the CSA Trademarks on certified products.

[41] The Applicant requests an award of damages for non-payment by the Respondent of the unpaid amount due under the June 2017 Contract (\$25,526.70). The Applicant submits that the issue of non-payment for the certification process is ancillary to the Respondent's unauthorized use of the CSA Trademarks contrary to the Act. Therefore, the Court has jurisdiction to make

such an award of damages and should not force the Applicant to institute separate litigation in another court to address compensation based on the same wrongful acts.

[42] The Court’s jurisdiction to interpret an agreement was recently addressed by the Federal Court of Appeal in *Salt Canada Inc. v Baker*, 2020 FCA 127 (*Salt*). At issue was an application for an order directing the Commissioner of Patents to vary the records of the Patent Office to reflect the appellant as owner of a particular patent. The application required the Court to interpret an agreement assigning title to the patent in issue from the original owner to the respondent, subject to a reversionary clause. The application was made pursuant to section 52 of the *Patent Act*, RSC 1985, c P-4, that states “[t]he Federal Court has jurisdiction [...] to order that any entry in the records of the Patent Office relating to the title to a patent be varied or expunged”. Section 26 of the *Federal Courts Act*, RSC 1985, c F-7 (*Federal Courts Act*) confers original jurisdiction on the Federal Court in respect of any matter in which “jurisdiction has been conferred by an Act of Parliament”. Justice Stratas stated that the plain language of the two provisions conferred jurisdiction on the Federal Court over the application (*Salt* at para 5).

[43] Justice Stratas cited the Supreme Court of Canada’s decision in *Kellogg Co. v Kellogg*, [1941] SCR 242, [1941] DLR 545 (*Kellogg*), and this Court’s application of *Kellogg* in *Titan Linkabit Corp. et al v S.E.E. See Electronic Engineering Inc. et al.* (1992), 44 CPR (3d) 469, 58 FTR 1 (TD) (*Salt* at para 24):

[24] The rule in *Kellogg* is simple: the Exchequer Court (and now the Federal Court) can interpret contracts between private citizens as long as it is done under a sphere of valid federal jurisdiction vested in the Federal Court. It is true that, absent a specific statutory grant of jurisdiction to the Federal Court, parties cannot assert a contractual claim in the Federal Court against

another private party to obtain a damages remedy. But *Kellogg* tells us that where such a grant is present, parties can claim a remedy even if their entitlement turns on a matter of interpretation of an agreement or other instrument—for example, the remedy of correcting the records in the Patent Office to recognize one’s title to a patent under section 52 of the *Patent Act*.

[44] My colleague, Justice Gascon, applied the decision in *Salt* in a motion to enforce an alleged settlement agreement reached in the course of a trademark infringement action in this Court (*SSE Holdings, LCC v Le Chic Shack Inc.*, 2020 FC 983 at para 60 (*SSE Holdings*)):

[60] It is now trite law that the Court may decide contractual issues that are incidental to a matter that is otherwise within its statutory jurisdiction, including whether the parties have reached a settlement agreement (*Salt Canada Inc. v Baker*, 2020 FCA 127 [*Salt Canada*] at paras 14-20; *Apotex Inc. v Allergan, Inc.*, 2016 FCA 155 [*Apotex*] at paras 12-14). The Court “has jurisdiction when the contract law issue before [it] is part and parcel of a matter over which [it] has statutory jurisdiction, there is federal law essential to the determination of the matter, and that federal law is valid under the constitutional division of powers” (*Apotex* at para 13). The subject matter of Shake Shack’s action, namely trademark infringement, is clearly within the jurisdiction of the Court (*Federal Courts Act*, RSC 1985, c F-7 at section 20; TMA at section 55).

[45] In this case, the Applicant relies on section 55 of the Act:

Jurisdiction of Federal Court

55 The Federal Court has jurisdiction to entertain any action or proceeding, other than a proceeding under section 51.01, for the enforcement of any of the provisions of this Act or of any right or remedy conferred or defined by this Act.

Compétence de la Cour fédérale

55 La Cour fédérale connaît de toute action ou procédure liée à l’application de la présente loi — à l’exception de l’article 51.01 — ou liée à l’exercice d’un droit ou recours conféré ou défini par celle-ci.

[46] The breach of contract raised by the Applicant differs from that in issue in *Salt* and *SSE Holdings*. In those and other cases cited by Justice Stratas, the Court's ability to adjudicate a proceeding required a determination of an underlying contract or agreement. The import of the agreement assigning title to the patent in *Salt* was an inextricable step in the Court's exercise of its jurisdiction. The status of the settlement agreement in *SSE Holdings* could be characterized as a stand-alone issue but the very agreement had been negotiated as part of the proceeding before the Court.

[47] In contrast, my determination of the issues of infringement and depreciation of goodwill under the Act do not depend on an interpretation of the June 2017 Contract. Put another way, if the parties had never entered the June 2017 Contract, the Applicant's claim of breach of its exclusive right to use the CSA Trademarks pursuant to sections 19 and 20 of the Act would still succeed on the evidence establishing the Respondent's unauthorized use of the Marks in association with the sale of Unauthorized CSA Products.

[48] The relevance of the June 2017 Contract to the Applicant's claims is primarily its reinforcement of the Respondent's knowledge of the importance of the CSA Trademarks and the quantum of the Applicant's damages. The services and license fees reflect the Applicant's out-of-pockets expenses and partial value of the license to use the CSA Trademarks, although any portion of the outstanding fees allocable to the license represents only a fraction of the value of the right to use the Marks. In the absence of full argument regarding the jurisdiction of the Court to make an award of damages in respect of the non-payment of fees under a contract linked but not necessary to the exercise of its powers under the Act, I have included the unpaid

June 2017 Contract fees as a factor in assessing quantum of the Applicant's compensatory damages.

[49] The Respondent engaged in at least 15 sales of Unauthorized CSA Products. Whether or not those sales were promotional in nature and regardless of the Respondent's profit margin, the repeated sales likely diminished the Applicant's goodwill in the CSA Trademarks. In addition, the Respondent's web promotion of Unauthorized CSA Products and sale to Mr. Vansteenkiste cannot be viewed as promotional as explained by Mr. Saad. The Applicant requests an award of compensatory damages in the amount of \$50,000.00. I find the amount requested is a reasonable approximation of damages incurred by the Applicant, taking into account the monetary and market benefits to the Respondent, the potential adverse effects of the Respondent's conduct on the goodwill in the CSA trademarks, and the Applicant's out-of-pocket services and license losses.

[50] I will award compensatory damages to the Applicant in the aggregate amount of \$50,000.00.

B. Punitive damages

[51] The Applicant submits that the Court should make an award of punitive damages based on the Respondent's "blatant disregard" of the Applicant's rights in the CSA Trademarks. The Applicant argues that the use of the CSA Trademarks in association with uncertified products endangers public safety and must be deterred (*Louis Vuitton* at para 191).

[52] The principles applicable to the award and assessment of punitive damages are found in the Supreme Court of Canada case of *Whiten v Pilot Insurance Co.*, 2002 SCC 18 (*Whiten*). Punitive damages are an exceptional remedy to be awarded where a party engages in malicious, oppressive and high-handed behaviour that offends the Court's sense of decency (*Whiten* at para 36) and where other remedies are insufficient to accomplish the objectives of retribution, deterrence and denunciation (*Young v Thakur*, 2019 FC 835 at para 52). In *Lam v Chanel S. de R.L.*, 2017 FCA 38, the Federal Court of Appeal upheld an award of punitive damages and set out the trial judge's assessment of the conduct that warranted the award (*Lam* at para 11; see also *Rallysport Direct LLC v 2424508 Ontario Ltd.*, 2020 FC 794 at para 47):

[11] I note, amongst other considerations, the judge's findings that the defendants were motivated by profit; the vulnerability to, and erosion of, the plaintiffs trade-mark rights arising from counterfeiting and infringement; the defendants' attempts to mislead the Court; the fraudulent transfer, after the filing of the Statement of Claim, of ownership of the defendants' company to avoid liability; the defendants' recidivist conduct in light of previous orders in respect of the same matter; the defendants' awareness of the unlawful nature of the activity; the scope of the infringement; the sale of infringing articles after filing and service of the Statement of Claim; the defendants' failure to produce any records; and, the judge's conclusion that the infringement was continuous and deliberate. The judge also situated the award in light of relevant judicial precedent.

[53] The Respondent was aware of the CSA certification process and the necessity of certification to engage in the sale of New Products. Mr. Saad spoke of the importance of the CSA Trademarks with Mr. Somes. In his affidavit, Mr. Saad justified the unauthorized sales based on the Respondent's advance monetary investment required to embark on the certification process and the hope of early contact with pharmacists. He anticipated the Respondent would soon complete the CSA certification process but there is no evidence that the Respondent warned

the various pharmacies that the Unauthorized CSA Products were for promotional purposes only and could not be used for distribution to the public.

[54] I find that: (1) the Respondent was fully aware of the importance of the CSA Trademarks and that its sales of Unauthorized CSA Products were premature and wrongful; (2) among the Unauthorized CSA Products sold were New Products, bearing CSA Trademark(s), of types the Respondent had never submitted to the Applicant for certification; (3) the Respondent's conduct was planned and deliberate, prompted by a desire to improve its financial position; (4) the Respondent continued its wrongful conduct after receipt of the Cease and Desist Letter; and (5) the Respondent failed to disclose the scope of its wrongful conduct and, in fact, provided misleading financial information in the Saad Affidavit.

[55] The public's confidence and goodwill in the CSA Trademarks derive directly from the rigorous testing and standards applied by the Applicant to products submitted for certification. The public depends on those processes and standards in buying or using CSA-certified products. The Respondent's deliberate and wrongful conduct in offering for sale and selling Unauthorized CSA Products undermines the critical role of the CSA Trademarks in the marketplace and must be deterred. The Respondent's disregard of the Cease and Desist Letter, sales of products never submitted for certification and failure to disclose the scope of its unauthorized conduct defeat its position of premature promotional activity.

[56] I find that an award of punitive damages in the amount of \$25,000.00 in the context and circumstances of this application is reasonable and will serve to deter others from using the CSA

Trademarks without full certification and authorization. The \$500,000 requested by the Applicant bears no relation to the wrongful acts it has established and is well beyond the range of previous punitive damage awards.

IX. Costs

[57] As the successful party, the Applicant is entitled to an award of costs. The Applicant made submissions regarding costs at the hearing and has submitted a Bill of Costs. I have reviewed the Bill of Costs, which requests costs in accordance with Tariff B to the *Federal Courts Rules*. I find the costs requested in respect of fees do not reflect the relative simplicity of this case in light of the Respondent's admission of wrongful conduct and failure to participate in the application after the filing of the Saad Affidavit and cross-examination of Mr. Saad. Nevertheless, the initial stages of the application involved considerable preparation work on the part of the Applicant's counsel. I will award costs to the Applicant in respect of counsel fees in the lump sum amount of \$14,500.00 (plus taxes).

[58] The disbursements listed in the Bill of Costs are each reasonable and reflect the progress of this proceeding. I will award the full amount requested of \$4,031.20 (plus taxes) and one non-taxable disbursement of \$50.00.

[59] The aggregate costs awarded to the Applicant is \$20,990.26 (inclusive of all taxes and disbursements).

JUDGMENT IN T-773-19

THIS COURT'S JUDGMENT is that:

1. The Applicant, Canadian Standards Association (CSA), is the owner of the CSA Trademarks appearing on Annex A to this judgment and the CSA Trademarks are valid.
2. The Respondent, Pharma Plastic Industries Inc., has infringed and is deemed to have infringed one or more of the CSA Trademarks and made use of the CSA Trademarks in a way likely to mislead the public and to depreciate the goodwill in the CSA Trademarks, contrary to sections 19 and 20 and subsection 22(1) of the *Trademarks Act*, RSC 1985, c T-13 (*Trademarks Act*).
3. The Respondent is ordered to refrain from:
 - a. Manufacturing, offering for sale, selling and/or advertising any vials, bottles, caps, lids and/or any other goods not manufactured with the authority, license or permission of the Applicant, bearing one or more of the CSA Trademarks and/or bearing any trademarks or tradenames, or any words or combination of words, or any other designs, confusing therewith, all without the authority, license or permission of the Applicant (Unauthorized CSA Products);

- b. Directing public attention in Canada to the goods and services of the Respondent in such a way as to cause or be likely to cause confusion between the goods and services of the Respondent and the business of the Applicant;
- c. Passing off any Unauthorized CSA Products as and for those of the Applicant;
- d. Making any use of the CSA Trademarks in a false and material way that is likely to mislead the public as to the character, quality or composition of any Unauthorized CSA Products and/or as to the mode of manufacture or production of any Unauthorized CSA Products;
- e. Directing public attention to any Unauthorized CSA Products in such a way as to cause or be likely to cause depreciation of the goodwill in Canada in the CSA Trademarks; and
- f. Making any false or misleading material misrepresentations to the public for the purpose of directly or indirectly promoting the supply or the use of Unauthorized CSA Products and the business interests of the Respondent.

4. The Respondent is ordered to deliver up to the Applicant:
 - a. Any Unauthorized CSA Products in its possession, power or control;
 - b. Any non-privileged documents that relate to:
 - i. The design and manufacture of any Unauthorized CSA Products and associated packaging and labeling; and
 - ii. Manufacturing molds used in relation to the manufacture of Unauthorized CSA Products.

5. The Respondent is ordered to immediately effect and implement, at its sole expense, a recall of any Unauthorized CSA Products by, amongst other things, notifying in writing any person who purchased or otherwise obtained possession of Unauthorized CSA Products from the Respondent, directly or indirectly, and advising each person to:
 - a. Immediately stop selling any Unauthorized CSA Products;
 - b. Return any unsold Unauthorized CSA Products;and to produce evidence of such notifications to the Applicant.

6. The Respondent is ordered to immediately post a notice on its website warning visitors of the dangers of using Unauthorized CSA Products. The

language to be used in the notice shall be subject to approval by the Applicant.

7. The Respondent shall agree that the Applicant may immediately post a notice on its website warning visitors of the dangers of using Unauthorized CSA Products.
8. The Applicant may, in any manner it sees fit, dispose of any Unauthorized CSA Products delivered up by the Respondent and/or in the alternative, the Applicant may require the Respondent to, at the Respondent's expense, and within 10 days of the date of this judgment, destroy any Unauthorized CSA Products in its possession, custody or control, wheresoever located, in a manner that renders such merchandise unusable for the purposes for which it was intended, and shall provide the Applicant an opportunity to witness the destruction.
9. The Respondent shall pay to the Applicant compensatory damages in the amount of \$50,000.00 arising from its infringement and deemed infringement of the CSA Trademarks, wrongful conduct and misuse of the CSA Trademarks, and resulting depreciation of the goodwill and public confidence in the CSA Trademarks, contrary to sections 19 and 20 and subsection 22(1) of the *Trademarks Act*.
10. The Respondent shall pay to the Applicant punitive damages in the amount of \$25,000.00.

11. Costs are awarded to the Applicant in the lump sum of \$20,990.26
(inclusive of all taxes and disbursements).

"Elizabeth Walker"

Judge

ANNEX A

TRADEMARK	COUNTRY & REGISTRATION No.
CSA	CANADA - UCA038989, TMA818276 CHINA - 5432616, 4076533 EUTM - 003337136 MEXICO - 465577 USA - 0971065
CSA GROUP	CANADA - TMA611738 CHINA - 4076532 HONG KONG - 303728377 INDIA - 3225845 KOREA (SOUTH) - 4103845060000 MEXICO - 1792078 SINGAPORE - 40201605672W SWITZERLAND - 690065 TAIWAN - 01825054 TURKEY - 2016 28739 USA - 3102524
GRUPE CSA	CANADA - TMA628545
CSA CERTIFIED	CANADA - TMA818944 USA - 4326237, 4211947
	CANADA - TMA899134 CHINA - 10695558, 10695555, 10695556, 10695557 EUTM - 0170760941 HONG KONG - 302205459 INDIA - 2395930 JAPAN - 5619931 MEXICO - 1304619, 1308344, 1506311, 1675127, 1398540, 1355318, 1469196, 1525115, 1525116, 1525117, 1525118, 1538434, 1770962 KOREA (SOUTH) - 4010137910000, 4102961550000 SWITZERLAND - 650185 TAIWAN - 1721433 TURKEY - 2012 30274 USA - 4455766, 4463349, 4515205, 4515206, 4463350
	CANADA - TMA830597, UCA024619 CHINA - 1388997, 1388998, 9116930, 10830438, 10830439, 10830440, 10817385, 10830437, 17681020, 17681021 EUTM - 003337623 HONG KONG - C00382 JAPAN - 0001270939, 627134, 2145807 KOREA (SOUTH) - 4008636710000 MEXICO - 479926, 455505, 1792506, 1792507, 1911866, 1841844 TAIWAN - 27855, 1876430 UK - UK00001451928, UK00001417314 USA - 0967896
	CANADA - TMA535572 CHINA - 5069811, 5584928, 5069812, 5069810 EUTM - 003339579, 017893253 USA - 2498742
	CANADA - TMA535575 CHINA - 5069802, 5069801, 5069800 EUTM - 003337185 MEXICO - 1899211, 1841843 USA - 2470248 TAIWAN - 1876429

ANNEX B

Prohibitions

7 No person shall

(a) make a false or misleading statement tending to discredit the business, goods or services of a competitor;

(b) direct public attention to his goods, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his goods, services or business and the goods, services or business of another;

(c) pass off other goods or services as and for those ordered or requested; or

(d) make use, in association with goods or services, of any description that is false in a material respect and likely to mislead the public as to

(i) the character, quality, quantity or composition,

(ii) the geographical origin, or

(iii) the mode of the manufacture, production or performance

of the goods or services.

Rights conferred by registration

19 Subject to sections 21, 32 and 67, the registration of a trademark in respect of any goods or services, unless shown to be invalid, gives to the owner of the trademark the exclusive right to the use throughout Canada of the trademark in respect of those goods or services.

Interdictions

7 Nul ne peut :

a) faire une déclaration fautive ou trompeuse tendant à discréditer l'entreprise, les produits ou les services d'un concurrent;

b) appeler l'attention du public sur ses produits, ses services ou son entreprise de manière à causer ou à vraisemblablement causer de la confusion au Canada, lorsqu'il a commencé à y appeler ainsi l'attention, entre ses produits, ses services ou son entreprise et ceux d'un autre;

c) faire passer d'autres produits ou services pour ceux qui sont commandés ou demandés;

d) employer, en liaison avec des produits ou services, une désignation qui est fautive sous un rapport essentiel et de nature à tromper le public en ce qui regarde :

(i) soit leurs caractéristiques, leur qualité, quantité ou composition,

(ii) soit leur origine géographique,

(iii) soit leur mode de fabrication, de production ou d'exécution.

Droits conférés par l'enregistrement

19 Sous réserve des articles 21, 32 et 67, l'enregistrement d'une marque de commerce à l'égard de produits ou services, sauf si son invalidité est démontrée, donne au propriétaire le droit exclusif à l'emploi de celle-ci, dans tout le Canada, en ce qui concerne ces produits ou services.

Depreciation of goodwill

22 (1) No person shall use a trademark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto

Power of court to grant relief

53.2 (1) If a court is satisfied, on application of any interested person, that any act has been done contrary to this Act, the court may make any order that it considers appropriate in the circumstances, including an order providing for relief by way of injunction and the recovery of damages or profits, for punitive damages and for the destruction or other disposition of any offending goods, packaging, labels and advertising material and of any equipment used to produce the goods, packaging, labels or advertising material.

Notice to interested persons

(2) Before making an order for destruction or other disposition, the court shall direct that notice be given to any person who has an interest or right in the item to be destroyed or otherwise disposed of, unless the court is of the opinion that the interests of justice do not require that notice be given.

Dépréciation de l'achalandage

22 (1) Nul ne peut employer une marque de commerce déposée par une autre personne d'une manière susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à cette marque de commerce

Pouvoir du tribunal d'accorder une réparation

53.2 (1) Lorsqu'il est convaincu, sur demande de toute personne intéressée, qu'un acte a été accompli contrairement à la présente loi, le tribunal peut rendre les ordonnances qu'il juge indiquées, notamment pour réparation par voie d'injonction ou par recouvrement de dommages-intérêts ou de profits, pour l'imposition de dommages punitifs, ou encore pour la disposition par destruction ou autrement des produits, emballages, étiquettes et matériel publicitaire contrevenant à la présente loi et de tout équipement employé pour produire ceux-ci.

Autres personnes intéressées

(2) Sauf s'il estime que l'intérêt de la justice ne l'exige pas, le tribunal, avant d'ordonner la disposition des biens en cause, exige qu'un préavis soit donné aux personnes qui ont un droit ou intérêt sur ceux-ci.

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-773-19

STYLE OF CAUSE: CANADIAN STANDARDS ASSOCIATION v
PHARMA PLASTIC INDUSTRIES INC.

PLACE OF HEARING: HELD BY VIDEOCONFERENCE BETWEEN
OTTAWA, ONTARIO (THE COURT) AND
TORONTO, ONTARIO (THE PARTIES)

DATE OF HEARING: SEPTEMBER 10, 2020

JUDGMENT AND REASONS: WALKER J.

DATED: FEBRUARY 10, 2021

APPEARANCES:

David S. Lipkus FOR THE APPLICANT

No one appearing FOR THE RESPONDENT

SOLICITORS OF RECORD:

Kestenberg Siegal Lipkus LLP FOR THE APPLICANT
Barristers and Solicitors
Toronto, Ontario