

Make up your Mind: Damages & Costs Awarded for Wilful Trade-Mark Infringement, Failing to Fully Participate in Proceedings and Disclosing Details of Settlement Discussions

A recent motion for default judgment in Federal Court¹ awarded damages and costs to a plaintiff in part because of the defendants' wilful infringement of a registered trade-mark, their failure to meaningfully participate in the proceedings and for the improper disclosure of details relating to settlement discussions.

The plaintiff has been the owner of the registered trade-mark NEW HOME LIVING since 2007 for use with online and print publications relating to real estate and lifestyle. It also registered the domain name "newhomelivingonline.com" in 2007. The plaintiff's publications are focused in Alberta.

In 2012, the plaintiff became aware of the defendants' use of "newhomelivingbc.com" with an online publication and a printed publication called "New Home Living", each of which also related to real estate and lifestyle. The printed magazine was distributed in the Vancouver area and in spite of being mostly in Chinese, the English mark "New Home Living" was used in a predominant way on the publication.

¹ *Source Media Group Corp. v. Black Press Group and Lisa Farquharson*, 2014 FC 1014.

The plaintiff sent a demand letter in November 2012 asking that the defendants cease using the plaintiff's mark. While the defendants immediately changed the name of the publication to "Enjoy living – Vancouver style", the defendants renewed the registration for the domain name "newhomelivingbc.com" in June 2013 and continued to use that name as a website reference until January 2014 with the same goods and services.

As a result, the plaintiff sued the defendants for infringement of its trade-mark, passing-off and depreciation of goodwill. The defendants failed to file a Statement of Defence and at the last moment, on an exceptional basis, the defendants obtained leave to file a motion record to respond to the plaintiff's motion for default judgment.

Justice Noël considered the following issues: (i) whether the defendants directed public attention to their wares, services and business in such a way as to cause or be likely to cause confusion with the business, wares or services of the plaintiff; (ii) whether the defendants infringed the plaintiff's right to the exclusive use of its registered mark; (iii) whether the defendants depreciated the goodwill associated with the plaintiff's registered mark; (iv) whether the defendants' disclosure of confidential settlement discussions in their submissions were improper; and (v) whether the defendants were liable to the plaintiff for damages and costs and if so, for what amount. The plaintiff sought damages in the range of \$15-25,000 plus costs on a full indemnity basis.

The Court readily found that the defendants' use of the plaintiff's mark was confusing, relying on the Supreme Court of Canada's decision in *Masterpiece*.² While there was insufficient evidence to demonstrate a depreciation of goodwill, the defendants passed off their online and print publication as being associated or connected with the plaintiff. It was irrelevant that the publication was in Chinese as the English mark was predominant. The geographic

² *Masterpiece Inc. v Alavida Lifestyles Inc.*, 2011 SCC 27.

locations were also irrelevant as the plaintiff's rights from its registered mark extend across Canada.

The Court further noted that the renewal of the domain name by the defendants, all the while knowing of the plaintiff's mark, was evidence that the defendants wilfully perpetuated confusion. The Court cited the defendants' attitude as "reproachable" and that such "behaviour can only add to the damages of infringement sought."³

Moreover, an affidavit of the individual defendant submitted for the motion included evidence of the defendants' participation in settlement discussions; i.e., it provided a letter from the plaintiff's counsel which discussed an offer made by the defendants and referenced three settlement offers made. The Court reminded the parties of the general principle that information relating to settlement discussions is protected by settlement privilege, unless an overriding public interest is identified. Here, there was no public interest justification.

In view of the above, the Court awarded \$15,000 in damages to the plaintiff.

As to cost sanctions, the Court considered the fact that the defendants did not meaningfully participate in the proceedings, other than by having settlement discussions. Couple this with the wilful infringement of the plaintiff's mark for over a year, costs were awarded in a lump sum of \$13,000.

Taking a step back, the most important lesson to be taken from this case is the need to commit to a position. Defending the motion without filing a defence was inconsistent, and plainly bothered the judge dealing with the motion. Stopping use of the name for the magazine while continuing to use it in the website address was also inconsistent, and suggested that the defendants knew that their conduct was wrong, but they weren't prepared to completely give it

³ *Supra* note 1 at para 23.

up. When the defendants received the demand letter they had a choice to make: did they have a reasonable position that they were prepared to defend; or were they not prepared to defend their actions either because they had no reasonable arguments to make, or they were not prepared to spend the money to defend those arguments?

In this case, it is clear that the defendants were not prepared to invest the resources to defend their position. In that case they should have stopped all the activity complained of, and written to the plaintiff's lawyer saying that they had done so. If the plaintiff still sued, they should have defended on the basis that they had been unaware of the plaintiff or its registration, and had stopped as soon as they received the demand letter. They could have pleaded that in the circumstances, the plaintiff was not entitled to an injunction,⁴ and had suffered no damages. If unable to negotiate a settlement with the plaintiff, they could have made a formal settlement offer under the rules. In opposing any motion (which would have had to be a motion for summary judgment, and not for default judgment), they would simply have pointed out that the conduct had stopped, and there were in fact no damages. Thus, the plaintiff was not entitled to any remedy, apart perhaps from a declaration that its trade-mark was valid, and had been infringed for a period of time.

The defendants in their submissions, in that case, could also have indicated that they wished to address costs as a separate matter after the decision on the motion for judgment. The plaintiff would then have faced two dangers. Firstly, unless it recovered damages in excess of the offer, the defendants would have been entitled to costs on an enhanced scale after the date of the offer. Secondly, the action was an ordinary action, and not a simplified action seeking recovery

⁴ There are cases that suggest that an injunction may be refused if the conduct ceased before trial and seems unlikely to be resumed.

of damages of less than \$50,000. Under Rule 293 there are additional cost sanctions against a plaintiff that improperly uses an ordinary action when it should have used a simplified action.

In the words of Master Yoda: "Do, or do not. There is no 'try'."

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a cautionary note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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