

Federal Court



Cour fédérale

**Date: 20210319**

**Docket: T-695-20**

**Citation: 2021 FC 241**

**Ottawa, Ontario, March 19, 2021**

**PRESENT: Mr. Justice McHaffie**

**BETWEEN:**

**TFI FOODS LTD. AND  
I-MEI FOODS CO., LTD.**

**Plaintiffs**

**and**

**EVERY GREEN INTERNATIONAL INC.**

**Defendant**

**JUDGMENT AND REASONS**

I. Overview

[1] On August 4, 2020, I issued an interlocutory injunction against the defendant, Every Green International Inc.: *TFI Foods Ltd v Every Green International Inc.*, 2020 FC 808. That order enjoined Every Green from offering for sale, selling, and/or labelling products bearing the trademark I-MEI Design with labels identifying Every Green as the exclusive distributor of the plaintiff, I-MEI Foods Co, Ltd. Every Green did not comply with that order and

took no further steps to defend this action. TFI Foods Ltd and I-MEI Foods Co, Ltd now seek default judgment.

[2] For the reasons set out herein, I partially grant the request for default judgment. I conclude that I-MEI has established its case in passing off pursuant to subsection 7(b) of the *Trademarks Act*, RSC 1985, c T-13 against Every Green. However, TFI has not. In addition to continuing the injunction, I award damages to I-MEI in the amount of \$55,000. I also consider this an appropriate case for an award of punitive damages, which I award in the amount of \$35,000.

## II. Issues

[3] TFI and I-MEI's motion for default judgment raises the following issues:

- A. Have TFI and I-MEI established their entitlement to default judgment?
- B. If so, what remedy should be granted?
- C. Are TFI and I-MEI entitled to costs on an elevated scale?

## III. Analysis

A. *I-MEI has established its entitlement to default judgment*

[4] Where a defendant has not filed a statement of defence within the applicable time, a plaintiff may bring a motion for judgment on the statement of claim: *Federal Courts Rules*, SOR/98-106, Rule 210(1). In this Court, allegations in a statement of claim that are not admitted

are deemed denied: Rule 184. This deeming is not affected by a defendant's failure to respond, so a plaintiff on default judgment must file evidence to establish the allegations in their claim: Rule 210(3); *McInnes Natural Fertilizers Inc v Bio-Lawncare Services Inc*, 2004 FC 1027 at para 3.

[5] A plaintiff on a default judgment motion must therefore establish two things through evidence, on a balance of probabilities: (1) the defendant is in default; and (2) the defendant is liable for the causes of action in the claim: *McInnes Natural Fertilizers* at para 3; *Louis Vuitton Malletier SA v Yang*, 2007 FC 1179 at para 4 [*Yang*].

[6] On this motion for default judgment, TFI and I-MEI limited their arguments to their claims of infringement contrary to section 20 of the *Trademarks Act* and passing off contrary to subsection 7(b) of the *Trademarks Act*. TFI and I-MEI did not pursue on this motion the additional claims of depreciation of goodwill contrary to subsection 22(1) of the *Trademarks Act*, and false and misleading representations contrary to section 52 of the *Competition Act*, RSC 1985, c C-34 made in the Statement of Claim.

[7] TFI and I-MEI rely on evidence contained in both their motion record filed on this motion for default judgment and their motion record on the earlier injunction motion. In accordance with Rules 364(2)(c) and (f), all materials TFI and I-MEI intended to rely on for this default judgment motion should properly have been in the motion record for this motion. However, the motion record on the injunction motion was available to the Court, and insistence on inclusion of the evidence in the default judgment motion record would simply have resulted

in an unnecessary adjournment and increased cost. In consideration of Rules 3 and 55, I granted leave to TFI and I-MEI to refer to and rely on the evidence in the injunction record.

[8] The evidence filed by TFI and I-MEI consists of affidavits of service from process servers, together with affidavits from David Lam, the owner and President of TFI, as well as an affidavit from an articling student pertaining to costs. Mr. Lam's affidavits include evidence from his personal knowledge, as well as evidence based on information and belief. As this is a motion for default judgment and not summary judgment or summary trial, statements on information and belief may be filed: Rule 81(1). As no contrary evidence was presented, and the evidence appears reliable on its face, subject to certain comments below concerning damages, I accept Mr. Lam's evidence on these issues. I conclude that no adverse inference should be drawn from the fact that Mr. Lam gives evidence based on information coming from other parties including, in particular, members of TFI's sales team: Rule 81(2).

(1) Every Green is in default

[9] The plaintiffs' affidavit of service establishes that an officer of Every Green was served with the Statement of Claim in Canada on July 6, 2020. Rule 204(a) provides that a statement of defence was to have been served and filed within 30 days, or by August 5, 2020. No statement of defence, or other responding document, was filed by Every Green by that date, or at any time.

[10] I am satisfied Every Green has failed "to serve and file a statement of defence within the time set out in rule 204": Rule 210(1).

(2) Every Green is liable for a cause of action in the claim

(a) *The plaintiffs and the I-MEI Design trademark*

[11] I-MEI is a Taiwan company headquartered in Taipei that has been in operation since 1934. It is described as one of the largest and best known food companies in Taiwan, selling food products in association with the name I-MEI and with the trademark I-MEI Design, which appears as the name “I MEI” (and/or equivalent Chinese characters), appearing on a shield under a crown:



*[Description of inserted diagrams for accessibility: Two trademarks are shown as described in the preceding paragraph, one with the name “I MEI” and the other with Chinese characters, in white lettering on a black shield under a black crown.]*

[12] As these representations of the trademark vary only in the characters of the name, I will refer to them collectively as the I-MEI Design.

[13] I-MEI has established it is the owner of eleven Canadian trademark registrations for the I-MEI Design trademark. Five of these registrations (TMA591,250; TMA591,316; TMA595,438; TMA595,457; and TMA606,398) are for the I-MEI Design bearing the name I MEI in the Roman alphabet. Five of the registrations (TMA572,170; TMA591,317; TMA591,594; TMA591,939; and TMA592,918) are for the I-MEI Design bearing Chinese characters. The final registration (TMA1,066,247) has both the Roman alphabet I MEI on the

shield and the Chinese characters below it. The registrations are for use in association with a variety of foods and beverages, as well as restaurant, hotel, and advertising services. Of particular relevance to this case, TMA595,438 was registered in 2003 for use in association with various food products, including cookies, puddings, noodles, rice cakes, and ices.

[14] TFI was first established in 1977 as Tai Foong Trading (TFI is short for Tai Foong International). Headquartered in Scarborough, it specializes in distributing Asian and ethnic specialty products to various retail, wholesale, and distribution customers in Canada. TFI sells products both under its own brand and under the brands of third-party companies.

[15] TFI is I-MEI's exclusive distributor in Canada, and has been since January 1, 2019. Prior to that, TFI acted as exclusive distributor for I-MEI for Eastern Canada since 2010. TFI sells a variety of I-MEI branded goods, including buns, crackers, puffs, cookies, cakes, ice bars, and beverages.

[16] I-MEI products sold by TFI in Canada bear the I-MEI Design. They also bear a black-and-white printed label, prepared by I-MEI, affixed over a portion of the primary packaging. The printed label identifies TFI with its name, location, and contact telephone number. In his affidavit sworn July 13, 2020, Mr. Lam stated that the label on shelves at that time identified TFI as the importer, with the legend "Imported by / Importés par: TFI Foods Ltd." He said that new labels, again prepared by I-MEI, identifying TFI as "Exclusive Canadian Distributor/Distributeur Canadien Exclusif" were expected to appear on retail shelves in Canada in the coming months.

Mr. Lam's subsequent affidavit sworn September 30, 2020 contained no update on the status of these new labels.

[17] I am satisfied that TFI and I-MEI have established that I-MEI is the owner of the I-MEI Design trademarks, and that TFI is the exclusive Canadian distributor for those products. I am also satisfied that I-MEI is very selective about its distribution channels and places significant importance on its distribution partners and the labelling of its products, maintaining control over the labels affixed even by its authorized distributors.

(b) *Conduct of Every Green*

[18] In mid-June 2020, TFI discovered that 11 retailers in the Toronto area were carrying I-MEI products, primarily puffs and cookies, that TFI had not sold to them. The products had a black-and-white label attached to them that included the following legend:

Exclusive Distributor of Canada/  
Distributeur Exclusive De Canada [*sic*]  
**EVERY GREEN INTERNATIONAL  
INC. Toronto, ON M1S 3Y6**

[19] I concluded at the time of the injunction motion that the evidence showed this label is false and was not prepared or approved by I-MEI. In particular, Every Green is not an exclusive, or even authorized, distributor of I-MEI. Nothing in the evidence has changed this conclusion.

[20] In my injunction order of August 4, 2020, I required Every Green to cease offering, selling, and/or labelling products bearing the I-MEI Design trademark with labels identifying Every Green as the exclusive distributor of I-MEI. I also ordered Every Green to recall all

products bearing labels with this statement and preserve them until trial, further order, or agreement.

[21] TFI and I-MEI filed an affidavit of service confirming service of a copy of the injunction order on Every Green. Despite this, and despite the clear terms of the order, the evidence shows that Every Green has not complied with the terms of the order. Between August 14 and 17, 2020, members of TFI's sales team visited ten of the supermarkets that had previously been found carrying the Every Green labelled I-MEI products. Photographs from these visits show I-MEI products on store shelves. Some show that the products continue to carry labels bearing the same legend reproduced above identifying Every Green as "Exclusive Distributor of Canada." Members of TFI's sales team conducted further visits during the period from August 19 to 24, 2020, and reported continued sales at five of the same supermarkets, plus a further supermarket. Two members of TFI's sales team also spoke to representatives of five retailers, who said they were not aware of the injunction and had not been contacted by Every Green to remove goods from their shelves.

[22] The photographs attached to Mr. Lam's affidavit are in some cases equivocal or even irrelevant, as they do not show labels with Every Green's name. However, based on the photographs that do show the labels with Every Green's name and the unchallenged statements of Mr. Lam in his affidavit, I am satisfied that Every Green did not comply with at least the term of my order requiring that it recall all products bearing the I-MEI Design trademark with labels identifying Every Green as exclusive distributor.



[23] There is additional evidence that Every Green did receive notice of the injunction order, owing to a curious exchange that followed service of the order. On August 14, 2020, the director of Every Green who had been originally served with the Statement of Claim and with the injunction motion sent an email to counsel for TFI and I-MEI, apparently seeking to retain her to assist in enforcing unrelated trademark rights. Counsel responded to the same email address, indicating that she was unable to assist given the adverse position in this proceeding and demanding confirmation of steps taken to comply with the injunction order, a further copy of which counsel attached. Counsel received no further response.

(c) *TFI and I-MEI have not established infringement under section 20 of the Trademarks Act*

[24] TFI and I-MEI focused their arguments on subsection 7(b) of the *Trademarks Act*, but also asserted Every Green's conduct constitutes infringement of I-MEI's trademark rights contrary to section 20. In my view, TFI and I-MEI have not established their infringement case.

[25] TFI and I-MEI filed no evidence that the goods being sold by Every Green in association with the I-MEI Design were not in fact sourced from I-MEI. Both Mr. Lam's original affidavit filed on the injunction motion and his second affidavit filed in support of the default judgment motion state that neither TFI nor I-MEI have been able to identify the source of the products. TFI and I-MEI had the opportunity to obtain samples of the goods in question. If they were able to show that they were not genuine I-MEI goods, there is no question they would have presented such evidence to the Court. In such circumstances, I have insufficient evidence to establish on a balance of probabilities that the goods being sold by Every Green are counterfeit. Rather, I

conclude the goods are likely genuine goods manufactured by I-MEI that have entered the Canadian market elsewhere, and have been imported into Canada without the approval of I-MEI or its Canadian distributor TFI. Such goods are commonly known as “parallel imports” or “grey market goods.”

[26] The sale in Canada of grey market goods does not itself infringe a trademark. As Justice Hugessen noted in *Smith & Nephew*, this flows from the fact that the purpose of a trademark is to distinguish and identify the origin of goods: *Smith & Nephew Inc v Glen Oak Inc*, [1996] 3 FC 565 (CA) at paras 10–11, 24–25; *Trademarks Act*, s 2 (“trademark”); *Consumers Distributing Co v Seiko*, [1984] 1 SCR 583 at pp 593, 599–600. As a result, “[g]oods which originate in the stream of commerce with the owner of a trade-mark are not counterfeit or infringing goods simply because they may have arrived in a particular geographical market where the trade-mark owner does not wish them to be distributed”: *Smith & Nephew* at paras 11, 14.

[27] TFI and I-MEI argue that affixing a label falsely stating that Every Green is the exclusive distributor, and having inaccurate ingredient information, makes the goods “akin” to fake or counterfeit goods and makes Every Green’s actions effectively infringement. I cannot agree. Section 19 of the *Trademarks Act* grants to the owner of a registered trademark the exclusive right to the use of the trademark in association with the goods and services identified in the registration. The trademark used on the goods sold by Every Green continues to indicate the source of the goods, namely I-MEI. Selling goods in Canada to which I-MEI has affixed its

trademark does not infringe I-MEI's exclusive right to use the trademark in respect of the goods, despite the attachment of Every Green's label.

[28] Paragraph 20(1)(a) of the *Trademarks Act* deems the sale or distribution of goods in association with a confusing trademark to be infringement of the registered owner's right to exclusive use. Again, attachment of the false label does not in my view amount to sale of the products in association with a confusing trademark as prohibited by section 20. The trademark they are associated with continues to be the genuine trademark.

(d) *I-MEI has established passing off under subsection 7(b) of the Trademarks Act, but TFI has not*

[29] I concluded in granting the injunction motion that TFI and I-MEI had established a serious issue to be tried with respect to their claim of passing off. For the following reasons, I now conclude that they have established their case on a balance of probabilities.

[30] Subsection 7(b) of the *Trademarks Act* prohibits a trader from directing public attention to their goods, services, or business in a manner likely to cause confusion between their goods, services, or business and those of another:

**Prohibitions**

7 No person shall

[...]

**(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

**Interdictions**

7 Nul ne peut

[...]

**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,

direct attention to them,  
between his goods, services  
or business and the goods,  
services or business of  
another;

lorsqu'il a commencé à y  
appeler ainsi l'attention, entre  
ses produits, ses services ou  
son entreprise et ceux d'un  
autre;

[31] Subsection 7(b) is understood to codify the common law tort of passing off: *Kirkbi AG v Ritvik Holdings Inc*, 2005 SCC 65 at para 23. To make out a claim of passing off under subsection 7(b), a plaintiff must establish three things: (i) the existence of goodwill; (ii) deception of the public due to a misrepresentation; and (iii) actual or potential damage: *Kirkbi* at paras 66–68; *Ciba-Geigy Canada Ltd v Apotex Inc*, [1992] 3 SCR 120 at p 132; *Consumers Distributing* at pp 608–609. In addition, the claimant must show ownership of a valid trademark: *Sandhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2019 FCA 295 at paras 36–39; *Kirkbi* at para 26.

(i) Ownership of trademark and goodwill

[32] TFI and I-MEI have established I-MEI's ownership of the I-MEI Design trademarks, which are the subject of the trademark registrations discussed above.

[33] Subsequent to the hearing of this motion, the Federal Court of Appeal issued its decision in *Group III International Ltd v Travelway Group International Ltd*, 2020 FCA 210 [*Group III 2020*], which refers to the effect of registration on the availability of a passing off claim. As TFI and I-MEI rely on I-MEI's registered trademarks, I must consider the impact of *Group III 2020*.

[34] *Group III 2020* dealt with two remedial issues in the wake of the Court of Appeal's earlier decision in *Group III International Ltd v Travelway Group International Ltd*, 2017 FCA 215 [*Group III 2017*]. In *Group III 2017*, the Court of Appeal concluded Travelway had infringed registered trademarks owned by Wenger SA that incorporate a Swiss cross, and had also committed passing off: *Group III 2017* at paras 4, 57, 65–68, 86. It concluded remedies of declaration, injunction, and delivery up were warranted, but referred the issues of expungement and damages back to the Federal Court: *Group III 2017* at paras 88–98.

[35] On the remitted questions, Justice St-Louis of this Court concluded expungement was warranted, but damages were not: *Wenger SA v Travelway Group International Inc*, 2019 FC 1104 at paras 23–26, 50–52 [*Wenger SA 2019*]. The expungement determination was based on a conclusion that the Court of Appeal in *Group III 2017* had implicitly found the Travelway marks invalid, since it found passing off to be established: *Wenger SA 2019* at paras 23–24. Use of a registered trademark is an absolute defence to an action in passing off: *Remo Imports Ltd v Jaguar Cars Limited*, 2007 FCA 258 at para 111, citing *Jonathan Boutique Pour Hommes Inc v Jay Gur International Inc*, 2003 FCT 106 at paras 4, 6 and *Molson Canada v Oland Breweries Ltd/Les Brasseries Oland Ltée*, 2002 CanLII 44947 (ONCA) [*Oland*]. While *Group III 2017* did not expressly refer to *Remo*, Justice St-Louis concluded the Court of Appeal could not have intended to depart from that decision, so its decision implied that Travelway's marks were invalid: *Wenger SA 2019* at para 23.

[36] *Group III 2020* dealt with an appeal from the Federal Court's conclusion on damages; the expungement was not appealed: *Group III 2020* at para 5. In the course of its reasons, the Court

of Appeal discussed *Remo* and the Ontario Court of Appeal's decision in *Oland*, a decision on which *Remo* relied: *Group III 2020* at paras 28, 45–46; *Oland* at para 2. The Court reaffirmed the principle that a trademark registration is a complete defence to a passing off action. As a result, while the passing off finding itself had not been appealed and could not be relitigated, the Court concluded that “the portions of this Court’s 2017 decision finding passing off should not be followed as authority in future cases”: *Group III 2020* at para 47.

[37] As part of its discussion, the Court of Appeal raised the availability of a passing off action under subsection 7(b) to enforce registered trademark rights. It noted that in *Kirkbi*, the Supreme Court said the purpose of subsection 7(b) was “to enforce the substantive aspects of the Trade-marks Act relating to unregistered trade-marks” [emphasis added by the Court of Appeal]: *Group III 2020* at para 43, citing *Kirkbi* at para 25. The Court of Appeal stated that *Kirkbi* suggested, but did not decide, that the owner of a registered trademark cannot have recourse to subsection 7(b) of the *Trademarks Act* to protect its trademark: *Group III 2020* at para 44.

[38] Despite these observations, I do not understand *Group III 2020* to conclusively stand for the proposition that a plaintiff whose marks are registered is unable to bring an action based on subsection 7(b) of the *Trademarks Act*. To the contrary, in 2019 the Court of Appeal confirmed that passing off under subsection 7(b) is available to the owner of “a valid and enforceable trademark, whether registered or unregistered” [emphasis added]: *Sandhu Singh* at para 39, citing *Nissan Canada Inc v BMW Canada Inc*, 2007 FCA 255 at paras 14–15; see also *Dumont Vins & Spiritueux Inc v Celliers du Monde Inc*, [1992] 2 FC 634 at p 651 (CA). The Court of Appeal’s ultimate finding in *Group III 2020* was that the respondent’s registered trademark was an

absolute defence to a passing off claim, and not that the applicant could not bring the claim:

*Group III 2020* at para 47. I cannot read the Court of Appeal's additional comments regarding *Kirkbi* as intending to contradict its prior decisions in *Sandhu Singh* and *Nissan Canada*, particularly without referring to those cases, each of which also relied on *Kirkbi*.

[39] I also note that the requirements of a claim of passing off are not the same as those for infringement: *Kirkbi* at paras 66–68; *Red Label Vacations Inc (redtag.ca) v 411 Travel Buys Limited (411travelbuys.ca)*, 2015 FC 18 at paras 108, 118, aff'd 2015 FCA 290 at paras 15–18; *Group III 2020* at para 41. There may be some substantive overlap, such that “in many respects” passing off is the equivalent cause of action for unregistered marks as infringement is to registered marks: *Kirkbi* at para 25, citing Kelly Gill, *Fox on Canadian Law of Trade-Marks and Unfair Competition*, 4th ed (Toronto: Thomson Reuters, 2002) (loose-leaf) at p 2-22. However, the tests are different, and as discussed below at paragraphs [50] to [53], the misrepresentation element of a claim of passing off is not limited to the use of a confusing trademark, whereas a claim for infringement is: *Trademarks Act*, ss 2 (“confusing”), 6, 7(b), 19, 20; *Red Label (FCA)* at paras 20–21.

[40] Passing off is therefore, to my understanding, not entirely co-extensive with a claim for infringement of an unregistered mark. It is worth noting that I do not understand registration to extinguish any rights in an underlying trademark, including in the ability to enforce those rights. To the contrary, in its discussion of the constitutionality of subsection 7(b) the Supreme Court in *Kirkbi* observed that registration provides additional or “more extensive” benefits over unregistered trademarks, and that giving unregistered trademarks stronger protection than

registered trademarks would undermine the efficacy and integrity of the *Trademarks Act: Kirkbi* at paras 29–30.

[41] I therefore conclude that I-MEI has standing to bring an action in passing off, relying on its registered trademarks.

[42] Mr. Lam's evidence also establishes the existence of goodwill associated with those trademarks. As the Court of Appeal noted in *Sandhu Singh*, goodwill for purposes of passing off requires that a mark is distinctive and possesses reputation: *Sandhu Singh* at para 48. Factors considered for this purpose may include inherent distinctiveness, acquired distinctiveness, length of use, surveys, volume of sales, advertising and marketing, and intentional copying: *Sandhu Singh* at para 48, citing Gill (loose-leaf updated 2019, release 5) at pp 4-77 to 4-81.

[43] Mr. Lam's evidence is that I-MEI has sold its products in Canada since at least 2010, when TFI started distributing them. TFI has had monthly sales of I-MEI products in excess of \$100,000 since January 2019, with a peak of over \$400,000 in sales in May 2020. It spends a portion of its profits on marketing and promotion of I-MEI products, in the form of in-store promotions and advertising in flyers and Chinese language media. TFI spends an average of about \$20,000 per year on these efforts, plus the cost of retailer discounts and promotion of products by its sales team. This evidence, combined with the inherent distinctiveness of the design and name elements of the I-MEI Design trademark, shows that the mark is distinctive and possesses reputation. I also agree with TFI and I-MEI that the fact that Every Green has falsely claimed to be an exclusive distributor of I-MEI products suggests that it recognizes, and seeks to



trade off, the goodwill associated with the brand. I am therefore satisfied that I-MEI has established that it has goodwill in association with the I-MEI Design trademark.

[44] However, I am not satisfied that TFI has established on the evidence that it shares in the goodwill in the I-MEI Design trademark so as to have standing to bring a passing off action in its own name. The evidence shows that TFI is the exclusive distributor in Canada of I-MEI branded products. The Court of Appeal rejected a passing off claim by a distributor in *Smith & Nephew*, noting that the trademark owner “alone owns the trade-mark and the goodwill associated with it and the statutory passing-off action, like its common law counterpart, can only be brought by it as the owner of such goodwill”: *Smith & Nephew* at para 22.

[45] Prothonotary Lafrenière, as he then was, reached the same conclusion in *Natural Waters of Viti, Ltd v CEO International Holdings Inc*, 2000 CanLII 15141 (FC). There, as here, a passing off action was brought by the trademark owner and their exclusive Canadian distributor. Relying on *Smith & Nephew* and the decision of the English Court of Appeal in *Dental Manufacturing*, Prothonotary Lafrenière concluded the distributor had not pleaded facts that would show it had a “shared reputation and goodwill” in the trademark, let alone a “distinct goodwill” in the products: *Natural Waters* at paras 13–19, citing *Smith & Nephew* at paras 22–23; and *Dental Manufacturing Company Ltd v C De Trey & Co* (1912), 29 RPC 617 (CA) at pp 625–627. *Smith & Nephew* and *Natural Waters* were applied by Justice Sproat of the Ontario Superior Court of Justice in *Osiris*, again striking a passing off claim on grounds that it could not be brought by someone who was not the owner of the goodwill: *Osiris Inc v International Edge Inc*, 2009 CanLII 50224 (ONSC) at paras 25–29.

[46] *Natural Waters* and *Dental Manufacturing* leave open the possibility that a distributor might be able to establish some degree of goodwill that would be sufficient to ground a passing off claim: *Dental Manufacturing* at p 627; *Natural Waters* at para 19. Justice St-Louis found that Wenger SA's Canadian distributor was more than a mere distributor or sales agent, such that it "shares in the reputation and goodwill" and was a proper party, although she concluded that passing off was not made out on other grounds: *Wenger SA v Travel Way Group International Inc*, 2016 FC 347 at para 100, 130–132 [*Wenger SA 2016*]. As set out above, the Court of Appeal found on appeal that there was passing off, but stated that subsequent courts should not rely on that conclusion: *Group III 2017* at para 86; *Group III 2020* at para 47. In doing so, it did not address the distributor's standing in particular.

[47] Other than acting as exclusive distributor, and conducting marketing and promotion of I-MEI products, there is little evidence of TFI's role that would allow me to conclude that it has developed goodwill associated with the I-MEI mark. The terms of TFI's distribution agreement were not provided owing to commercial sensitivity, and the confirmatory letter from I-MEI that was filed simply states that I-MEI is the owner of the trademarks and that TFI is the exclusive distributor. I therefore find TFI has not established it shares in the reputation and goodwill in the I-MEI Design trademarks in a way that would permit it to maintain a passing off action.

[48] I note that the situation may be different for a licensee or exclusive licensee: *Kwan Lam v Chanel S de RL*, 2016 FCA 111 at paras 17–18; *LifeGear, Inc v Urus Industrial Corp*, 2001 FCT 1163 at paras 13–14, 20; *HTS Engineering Ltd v Marwah*, 2019 ONSC 6351 at para 166;

*SC Johnson and Son, Ltd v PIC Corp*, [1975] FCJ No 416, 19 CPR (2d) 26 (TD) at para 12. I need not address this question, as the evidence does not speak to TFI's status as a licensee.

[49] I therefore conclude that I-MEI has established its goodwill in the I-MEI trademarks, but that TFI has not.

(ii) Deception of the public due to a misrepresentation

[50] As with infringement, the sale in Canada of grey market goods does not, in itself, constitute passing off: *Smith & Nephew* at paras 10–11, 14, 22–24; *Consumers Distributing* at pp 599–600. TFI and I-MEI's arguments regarding deception and misrepresentation rely on the false statement on Every Green's label that it is the Exclusive Distributor in Canada.

[51] Subsection 7(b) requires the defendant's conduct to cause or be likely to cause confusion between the "goods, services and business" of one trader and those of another. The second element of passing off is therefore sometimes described as "misrepresentation creating confusion": *Kirkbi* at para 68. While the misrepresentation element of a claim of passing off often pertains to the use of a confusing trademark, it is "impossible to enumerate or classify all the possible ways in which a man may make the false representation relied on": *HTS* at para 171, citing *Gill* at ch 4.5(a), in turn quoting *AG Spalding & Brothers v AW Gamage Ltd* (1915), 32 RPC 273 (HL) at p 284. At the same time, any misrepresentation must be related to a registered or unregistered trademark given the constitutional limitations of subsection 7(b): *Sandhu Singh* at para 39, *Kirkbi* at paras 26, 35.

[52] In *Group III 2017*, the Federal Court of Appeal concluded that false claims of “Swissness” may constitute a misrepresentation for purposes of passing off, or at least exacerbate the confusion arising from the use of similar trademarks: *Group III 2017* at paras 80–82; see also *Wenger SA 2019* at para 16. While the Court of Appeal in *Group III 2020* subsequently held that the portions of *Group III 2017* that found passing off should not be followed as authority, I understand this to be because the finding was made despite the respondent’s registered trademark, rather than anything to do with the nature of the misrepresentation. In any event, I take this simply as some indication as to the nature of representations that may potentially constitute passing off in the appropriate case, rather than as binding authority.

[53] As I observed in my reasons on the injunction motion, the defendant in *Consumers Distributing* was enjoined from making misrepresentations that implied association with Seiko, even though it was selling genuine Seiko watches. Consumers Distributing was not prevented from selling Seiko watches, but it was enjoined both on an interlocutory basis and at trial from implying it was an authorized Seiko dealer by claiming the watches were internationally guaranteed: *Consumers Distributing* at pp 588–590. That part of the final injunction was not appealed. The Supreme Court noted, in allowing the appeal with respect to the ongoing sale of Seiko watches, that there was no misrepresentation in the period *after* the interim injunction was extant: *Consumers Distributing* at pp 590, 594, 601–602, 611–612. In other words, while selling grey market goods may not itself amount to passing off, this does not excuse other acts or statements that misrepresent an association with the trademark owner.

[54] The label that Every Green has affixed to products bearing the I-MEI Design trademark falsely states that Every Green is the exclusive Canadian distributor of such I-MEI branded products. This statement amounts to a false statement of association between Every Green and I-MEI in respect of the I-MEI Design trademark. I am satisfied that the statement pertains to a trademark, namely the I-MEI Design trademark, and constitutes a misrepresentation within the scope of a claim for passing off under subsection 7(b). I am also satisfied that this misrepresentation is deceptive, both to retailers who are the direct customers of Every Green and TFI, and to the purchasing public, and is likely to cause confusion between the business of Every Green and that of TFI and/or I-MEI.

(iii) Actual or potential damage

[55] The final requirement of a passing off claim is that of damage. As it is one of the elements of passing off, the question of damages must be considered in determining whether the cause of action has been made out, and damages cannot be presumed: *Dentec Safety Specialists Inc v Degil Safety Products (1989) Inc*, 2014 ONSC 2449 (Div Ct) at paras 16, 18; *Nissan Canada* at para 35. However, all that must be proved at this stage is the existence of damage, rather than necessarily the extent or quantification of it: *Nissan Canada* at para 36.

[56] Much of the evidence filed with respect to damages pertained to lost sales by TFI. For example, in his first affidavit, Mr. Lam showed that while TFI's sales were increasing in the first half of 2020, as a result of new sales in Western Canada, TFI's sales were flat in Eastern Canada on products being sold by Every Green. In his second affidavit, Mr. Lam sought to quantify those losses, with reference to lost profits arising from Every Green's sales. However, as set out

above, I have concluded that TFI has not demonstrated that it has goodwill in the I-MEI marks to bring an action for such damages in passing off. Nor is there any evidence showing that TFI's asserted losses were also suffered by I-MEI.

[57] Rather, in light of my conclusion that only I-MEI has shown goodwill to support a passing off claim, I must consider whether there is evidence of damage to I-MEI. There is no evidence that I-MEI has lost any sales. Indeed, as I have concluded that the products being sold by Every Green are likely parallel imports originating from I-MEI, sales made by Every Green instead of TFI still involve a sale by I-MEI.

[58] However, I am satisfied that the false statements being made by Every Green have caused harm to the reputation of I-MEI. Mr. Lam's evidence was that I-MEI takes considerable care in selecting distribution partners in foreign territories including Canada, and in ensuring the quality of additional labelling affixed to its products for those markets. I-MEI has indicated that it would never have permitted Every Green to act as its distributor. Every Green's false statements have resulted in customer uncertainty over I-MEI's distribution network. I-MEI has the right to manage its goodwill in Canada through its selection of its distribution partner. While it cannot rely on the *Trademarks Act* to prevent genuine goods from entering the marketplace outside that distribution network, its ability to control its distribution relationships is damaged by false assertions of an exclusive distributorship relationship. I am satisfied that this harm to I-MEI's reputation and ability to control its goodwill constitute damage establishing the third part of the test for passing off. I will address the quantification of this damage below in addressing the appropriate remedies.

B. *Remedies*

(1) Injunction

[59] TFI and I-MEI have asked that the interlocutory injunction I issued be continued as a final injunction. As Every Green has made no contrary submissions, and I see no reason that Every Green should not be enjoined from continuing to make false statements regarding its status as I-MEI's exclusive distributor, I am satisfied the injunction should continue as a final injunction.

(2) Damages

[60] I-MEI did not attempt to quantify the harm to its reputation or goodwill caused by Every Green's false statements. Rather, as indicated, the plaintiffs' damages claim focused primarily on TFI's lost sales and profits. I recognize that such damage to reputation and goodwill may be hard to quantify.

[61] While Every Green's sales do not represent lost sales to I-MEI, I believe the extent of the harm to I-MEI associated with the false statements is related to the extent of Every Green's sales. The impact of the false association is increased with increasing sales of the misleading goods. This is particularly so given the uncontested evidence that the market for I-MEI products is such that retailers would not be purchasing products from Every Green if they did not indicate that Every Green was I-MEI's exclusive distributor.

[62] Given the evidence filed, and in the absence of any evidence to the contrary, I infer that all of Every Green's sales included a label bearing the false statement that Every Green is I-MEI's exclusive distributor. The evidence indicates that one of the 11 retailers only received one delivery of I-MEI products from Every Green, in the total amount of \$1,081.80. Mr. Lam's evidence estimated considerably higher sales by Every Green based on an asserted impact on TFI's sales. The opacity of TFI's profit calculation is such that I do not have Mr. Lam's estimate of those lost sales. However, it is ultimately Every Green's failure to respond to this action that makes it difficult to assess the extent of its sales to use as a benchmark for assessing harm to I-MEI.

[63] With reference to counterfeiting cases, TFI and I-MEI ask the Court to make a "nominal" award of damages: *Ragdoll Productions (UK) Ltd v Jane Doe*, 2002 FCT 918 at paras 18, 35, 42–45; *Yang* at para 43; *Louis Vuitton Malletier SA v Singga Enterprises (Canada) Inc*, 2011 FC 776 [*Singga*]; *Kwan Lam* at para 17. They suggest a rounded award of \$400,000, representing \$36,291 (derived by adjusting for inflation since 1997 a "base nominal amount" of \$24,000 for manufacturers and distributors), multiplied by the 11 retailers in which Every Green's products were found: *Ragdoll* at para 35.

[64] In his recent decision in *Wang*, Justice Roy gave extensive and thoughtful consideration to the approach that has flowed from *Ragdoll* and the cases it relied on: *Louis Vuitton Malletier SA v Wang*, 2019 FC 1389 at paras 120–173. He underscored that "damages are meant to be compensatory" and questioned an approach that yielded a damages estimate of over \$17 million for sales of counterfeit goods at a flea market and night market: *Wang* at paras 127, 153. He



noted that even where a defendant's conduct makes it more difficult to quantify damages, the goal is the "court's best estimate of those damages": *Wang* at paras 136, 157–158, 171; *Ragdoll* at para 45. He ultimately awarded \$8,500 "per instance" for recent instances of infringement: *Wang* at paras 174, 180.

[65] In my view, a direct correlation cannot be made to counterfeiting cases, given the material differences between selling counterfeit goods and selling genuine goods with a misrepresentation that the seller is an exclusive distributor of the trademark owner. The damage to goodwill arising from counterfeit goods is considerably greater in my view than that arising from Every Green's conduct in this case. Nonetheless, as in counterfeiting cases, there is harm to I-MEI's goodwill arising from Every Green's misrepresentations even without direct lost sales: *Wang* at paras 118, 177. As in counterfeiting cases, that harm is difficult to quantify, in part owing to Every Green's lack of response: *Wang* at para 178, citing *Kwan Lam* at para 17.

[66] In my view, an appropriate amount to reflect estimated damages to I-MEI's reputation and ability to control its goodwill, given the apparent extent of Every Green's sales, is \$5,000 for each of the 11 retail stores in which Every Green was found to have sold products bearing the false representation. While I appreciate that one of these stores apparently only had around \$1,000 in purchases, the evidence suggests that overall sales in other stores may have been considerably higher. I therefore grant damages in the total amount of \$55,000.

(3) Punitive damages

[67] TFI and I-MEI also seek punitive damages. They point to Every Green's disregard for their rights and for the truth. They also underscore Every Green's failure to take any steps to comply with this Court's injunction order, or to give any response at all to its demand letters, the claim, or the order.

[68] Punitive damages are exceptional, but may be awarded when a party's conduct has been "malicious, oppressive and high-handed" such that it "represents a marked departure from ordinary standards of decent behaviour": *Whiten v Pilot Insurance*, 2002 SCC 18 at para 36. Punitive damages have been awarded in intellectual property cases where such conduct has been found, and other penalties are inadequate to accomplish the objectives of retribution, deterrence, and denunciation: *Singga* at para 164, citing *Whiten* at para 123. They may be appropriate where compensatory damages would amount to nothing more than a "licence fee" to disregard the rights of others: *Singga* at paras 165, 170, citing *Whiten* at para 72. Factors to consider in assessing the appropriateness and quantum of a punitive damages award include whether the misconduct was planned and deliberate; the defendant's intent and motive; whether the conduct was persistent and/or concealed; and the defendant's awareness that what they were doing was wrong: *Whiten* at para 112; *Chanel S de RL v Lam Chan Kee Company Ltd*, 2016 FC 987 at paras 49, 56, aff'd 2017 FCA 38 at paras 11, 13; *Wang* at paras 184–185.

[69] In the present case, I can infer that Every Green's conduct was planned and deliberate. It was plainly not entitled to hold itself out as the exclusive distributor for Canada of I-MEI's

products. The inference is that it did so to associate itself directly with I-MEI and its trademark, and to make its offering of grey market goods attractive to customers in Canada. It failed to take any steps to cease its conduct when the unlawfulness of its actions were brought to its attention. It also failed to comply with or respond in any way to an express order of this Court. While this is not a motion for contempt, failure to comply with a Court order is a serious matter that can and should be considered in the award of punitive damages: *Kwan Lam* at para 26; *Singga* at para 168; *Yang* at para 48. I conclude that the compensatory damages awarded in this case are inadequate to achieve the objectives of retribution, deterrence, and denunciation, and that punitive damages are appropriate in this context.

[70] As to quantum, the Court of Appeal has confirmed this is a “highly contextual exercise,” influenced by similar factors considered in assessing whether a punitive damages award is appropriate: *Lam v Chanel S de RL*, 2017 FCA 38 at para 13. There is no fixed “ratio” between compensatory damages and punitive damages: *Lam* at para 12.

[71] TFI and I-MEI point to the recent decision of the Court of Appeal of Quebec in *Costco Wholesale Canada Ltd v Simms Sigal & Co Ltd*, 2020 QCCA 1331 [*Costco*]. That case involved goods Costco argued were grey market goods, having been purchased from the trademark owner. The Court of Appeal upheld a judgment in favour of Simms (2017 QCCS 5058 [*Costco* (QCCS)]), based on Costco inciting the manufacturer to breach its distribution agreement with Simms, giving rise to extracontractual fault under art 1457 of the *Civil Code of Québec* [CCQ]: *Costco* at paras 9–16, 47, 64. The Court of Appeal also upheld the trial judge’s \$500,000

punitive damages award, which was based on Costco's intentional interference with Simms' reputation and the factors set out in art 1621 of the *CCQ: Costco* at paras 86, 92, 96–98.

[72] Other than the fact that the case involved allegedly grey market goods, I find I cannot draw any useful reference from *Costco*. The action was grounded in contractual interference, based on very different facts. Both liability and the punitive damages award were assessed pursuant to articles of the *CCQ* that have not been pleaded in this case and have no apparent application. The evidence showed sales of almost 60,000 pairs of jeans and 19,000 tee shirts in 65 stores across Canada: *Costco (QCCS)* at paras 1, 227–232. It is therefore difficult to draw any parallels to the current case or use *Costco* as a guide to a punitive damages award.

[73] I take note of the punitive damages awards in decisions of this Court involving counterfeit goods, including the \$225,000 award in *Wang* at paras 189–192; the \$250,000 award in *Lam* at para 9; the \$100,000 award in *Yang* at para 52; and the \$200,000, \$250,000, and \$50,000 awards in *Singga* at para 180. In my view, the facts in these cases involve more egregious conduct than that at issue in this case. I also take note of other trademark cases not involving counterfeit goods, in which more modest awards were considered sufficient, notably *Mitchell Repair Information Company LLC v Long*, 2014 FC 562 at paras 14–17 (\$15,000); *Microsoft Corporation v PC Village Co Ltd*, 2009 FC 401 at paras 41–44 (\$50,000).

[74] As factors pointing to a heightened punitive damages award, I consider (i) Every Green's conduct; (ii) its profit motive, (iii) its disregard for the truth and for I-MEI's reputation and goodwill in its labelling, (iv) its refusal to take steps or engage in response to the demands of TFI

and I-MEI, (v) its continued sale of falsely labelled goods, (vi) its lack of engagement in response to this claim, and (vii) significantly, its failure to comply or respond to this Court's injunction order. As pointing to a lower punitive damages award, at least compared to some of those referred to above, I note that this case did not involve the production of counterfeit goods, and that there has been to date only one Court order. While failure to comply with a single Court order is a serious matter, I compare this situation to the cases in which there has been flouting of multiple orders and/or orders arising out of settlements, leading to heightened punitive damages. Considering these factors and the context of the case, I consider that a punitive damages award in the amount of \$35,000 is appropriate.

C. *Costs*

[75] TFI and I-MEI seek their costs on a solicitor-and-client basis, in the total amount, including HST, of \$85,403.30. Based on the affidavit filed in support of the claim for costs, this amount covers both the injunction motion and this motion for default judgment.

[76] Costs of the injunction motion have already been awarded. In the absence of evidence at the hearing of that motion, I awarded costs in the cause: *TFI International* at para 42. Absent an order specifying the level of costs, they are understood to be party-and-party costs, and would typically be assessed in accordance with Column III: *Apotex Inc v Merck & Co*, 2006 FCA 324 at para 15; Rule 407. While there is a general discretion in respect of costs, this does not include the ability to reopen costs awards, including my own, that have already been made: *Ciba-Geigy Canada Ltd v Novopharm Ltd*, 1999 CanLII 9253 (FC) at para 32. I do, however, have the discretion to fix the amount of those costs. Based on Column III, and my assessment of the

recoverable disbursements associated with the injunction motion identified in the first two invoices sent by counsel, I fix the costs of the injunction motion in the amount of \$5,000, inclusive of fees and disbursements, plus \$650 in HST.

[77] For the default judgment motion, and for the claim itself, I agree that solicitor-and-client costs are appropriate. This is a matter that could well have been resolved early in the process had Every Green been in any way responsive to the demands of TFI and I-MEI or the claim itself. Instead, the plaintiffs, and I-MEI in particular, were required to start this proceeding to enforce their rights when Every Green should have been aware that its actions were unlawful. Further, Every Green's failure to comply with this Court's injunction order required TFI and I-MEI to prepare further evidence regarding this non-compliance in support of its default judgment motion.

[78] Based on my review of the supporting evidence pertaining to the costs and disbursements associated with the conduct of the litigation other than the injunction motion, I calculate the plaintiffs' solicitor-and-client costs as totalling approximately \$38,500 and disbursements of \$1,500, for a total of \$40,000, plus HST in the amount of \$5,200.

[79] I therefore award costs in the total amount of \$45,000, inclusive of the default and injunction motions and inclusive of fees and disbursements, plus HST in the amount of \$5,850.

[80] TFI and I-MEI argued that any award of damages should be made to the two of them jointly, since they are represented by the same counsel and have suffered losses jointly in many

respects. As I have concluded that only I-MEI has established a claim for passing off, the damages amounts will be payable to I-MEI. Costs will be paid to TFI and I-MEI, who were represented jointly.

IV. Conclusion

[81] I therefore grant in part the plaintiffs' motion for default judgment. The requested injunction is issued, compensatory damages in the amount of \$55,000 and punitive damages in the amount of \$35,000 are granted to I-MEI. Costs in the amount of \$45,000 plus HST are awarded to the plaintiffs jointly.

**JUDGMENT IN T-695-20**

**THIS COURT'S JUDGMENT is that**

1. The defendant, Every Green International Inc, including by its officers, directors, servants, employees or agents are hereby and forthwith enjoined from offering for sale, selling and/or labelling products bearing the trademark I-MEI Design, with labels bearing statements identifying the defendant as the “Exclusive Distributor of Canada/Distributeur Exclusive De Canada” or otherwise identifying the defendant as the exclusive distributor of I-MEI Foods Co Ltd.
2. The defendant, Every Green International Inc, is hereby required to immediately recall all products bearing the trademark I-MEI & Design with labels bearing statements identifying the defendant as the “Exclusive Distributor of Canada/Distributeur Exclusive De Canada” or otherwise identifying the defendant as the exclusive distributor of I-MEI Foods Co Ltd.
3. The defendant, Every Green International Inc. shall pay to the plaintiff, I-MEI Foods Co, Ltd, the sum of \$90,000, representing \$55,000 in compensatory damages plus \$35,000 in punitive damages.
4. The defendant, Every Green International Inc. shall pay to the plaintiffs, I-MEI Foods Co, Ltd and TFI Foods Ltd, costs in the amount of \$45,000 plus \$5,850 in HST.

“Nicholas McHaffie”

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Judge



**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-695-20

**STYLE OF CAUSE:** TFI FOODS LTD ET AL V EVERY GREEN  
INTERNATIONAL INC

**MOTION HELD BY VIDEOCONFERENCE ON NOVEMBER 16, 2020 FROM  
OTTAWA, ONTARIO AND TORONTO, ONTARIO**

**JUDGMENT AND REASONS:** MCHAFFIE J.

**DATED:** MARCH 19, 2021

**APPEARANCES:**

May M. Cheng

FOR THE PLAINTIFFS

**SOLICITORS OF RECORD:**

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Toronto, Ontario

FOR THE PLAINTIFFS