

Federal Court



Cour fédérale

Date: 20130226

Docket: T-1518-10

Citation: 2013 FC 193

Ottawa, Ontario, February 26, 2013

PRESENT: The Honourable Mr. Justice de Montigny

BETWEEN:

**HARLEY-DAVIDSON MOTOR COMPANY
GROUP, LLC, H-D MICHIGAN, LLC,
HARLEY-DAVIDSON MOTOR COMPANY,
INC. AND FRED DEELEY IMPORTS
LIMITED**

Plaintiffs

and

**VAROUJIAN MANOUKIAN A.K.A. JOHNNY
MANOUKIAN A.K.A. JONATHAN
MANOUKIAN AND VETEMENTS DE CUIR
ORIGINAUX V.M. INC.**

Defendants

REASONS FOR ORDER AND ORDER

[1] The Plaintiffs issued a Statement of Claim on September 22, 2010, commencing an action arising from the Defendants' alleged offering for sale and sale of counterfeit Harley-Davidson merchandise. The Defendants served and filed a Statement of Defence on October 23, 2010, and

the Plaintiffs filed a Reply on October 25, 2010. Eventually, on December 9, 2011, the Plaintiffs brought a motion for summary judgment.

[2] The Plaintiffs have submitted arguments seeking to establish that there are no triable issues respecting the Plaintiffs' rights and interests in and to the Harley-Davidson Trade-marks (defined below) or the Defendants' contravention of those rights and that each of the trade-mark owner and its Canadian licensee are entitled to minimum compensatory damages for six instances of infringement, as well as punitive damages.

[3] The Defendants, in turn, argue that the Plaintiffs have failed to satisfy any of the criteria justifying summary judgment and deny all assertions made by the Plaintiffs' primary affiant who claims to have purchased and/or been offered counterfeit goods from or by the Defendants on six occasions.

[4] In light of the evidence produced and the analysis below, I find that the Plaintiffs have met the onus of establishing the facts necessary to obtain summary judgment, and that the Defendants, who were required to put their best foot forward, have failed to establish that there is a genuine issue for trial. As a result, the motion for summary judgment is granted, but the scale of damages claimed by the Plaintiffs will be reduced as set out below.

BACKGROUND

[5] H-D Michigan, LLC ("MI") is an intellectual property holding company formed pursuant to the laws of the State of Michigan, USA. Harley-Davidson Motor Company Group, LLC ("MCG")

is a limited liability corporation and Harley-Davidson Motor Company, Inc. (“MCI”) is a corporation; both are organized and exist under the laws of the State of Wisconsin, USA. As for Fred Deeley Imports Limited (“Fred Deeley”), it is a company incorporated in British Columbia, with its principal place of business in Concord, Ontario. They will be collectively referred to herein as the “Plaintiffs”.

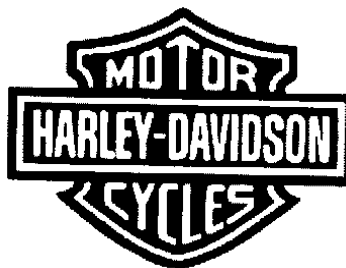
[6] Vêtements de Cuir Originaux V.M. Inc. (“VM Inc”) is a company incorporated pursuant to the laws of the Province of Québec, having a registered head office address at 7521-7523 Saint Hubert, Montréal (the “Saint Hubert Location”). Mr. Varoujian Manoukian (also known as Johnny Manoukian and Jonathan Manoukian) is an individual residing in Wentworth, Québec. He is a shareholder and principal director of VM Inc. According to Mr. Manoukian’s claim at page 22 of the transcript of his cross-examination, VM Inc ceased operations approximately two years ago and is no longer listed as a Québec company; the evidence in this respect, however, is unclear. Mr. Manoukian and VM Inc will be referred to herein as the “Defendants”.

[7] The Defendants rent and operate two locations using the registered business name Vêtements de Cuir Originaux V.M. Inc.: one at the Saint Hubert Location, and a flea market booth at Marché Métropolitain, located at 6245 Métropolitain East, St. Léonard (the “Flea Market Location”).

[8] MI is the owner of numerous trade-marks registered in association with a variety of wares, including but not limited to t-shirts, jackets and belt buckles. Of particular relevance for the

purposes of this proceeding are the following trade-marks, referred to collectively as the “Harley-Davidson Trade-marks”:

- a) HARLEY-DAVIDSON (TMA385,695), registered June 14, 1991 for use in association with a variety of wares, including but not limited to t-shirts and jackets;
- b) HARLEY-DAVIDSON (TMA524,013), registered on February 29, 2000 for use in association with a variety of wares including but not limited to belt buckles;
- c) MOTOR HARLEY-DAVIDSON CYCLES & DESIGN (TMA286,290), registered on December 30, 1983 for use in association with a variety of wares including but not limited to t-shirts, jackets and belt buckles;



- d) HARLEY (TMA701,942), registered on November 28, 2007 for use in association with a variety of wares, including but not limited to t-shirts.

[9] MI had the right to use and license the use of the Harley-Davidson Trade-marks in Canada at all material times, each of which is valid and subsisting and exclusively owned by MI. This has not been disputed by the Defendants.

[10] A license granted to MCG and MCI, MCG's wholly-owned subsidiary, appointed Fred Deeley as a distributor of Harley-Davidson branded products in Canada. Fred Deeley thus has the exclusive right in Canada to distribute certain merchandise and deliver certain services using any one or more of the Harley-Davidson Trade-marks. The Plaintiffs collectively hold the exclusive right to manufacture or license the manufacture of a wide variety of products, including, without limitation, t-shirts, jackets and belt buckles, displaying or incorporating one or more of the Harley-Davidson Trade-marks. Again, none of this has been disputed by the Defendants.

THE EVIDENCE ON THIS MOTION

[11] The Plaintiffs have filed six affidavits in support of their motion. They will now be briefly summarized.

i) Affidavit of John Joseph O'Keefe, sworn September 16, 2011

[12] Mr. O'Keefe is an investigator, specializing in the field of counterfeit goods since 2001, and he has received regular training on how to identify genuine Harley-Davidson merchandise. He was retained by the solicitors for the Plaintiffs to conduct an investigation into the alleged manufacture, offering for sale and sale of counterfeit Harley-Davidson clothing by the Defendants. Attached to his affidavit are reports and photographs purporting to establish six occasions on which Mr. O'Keefe observed instances of the Defendants manufacturing, offering for sale or selling counterfeit Harley-Davidson merchandise. The key elements of these six instances can be summarized as follows:

a) June 11, 2010, Flea Market Location: Mr. O'Keefe describes meeting "Victor"

Manoukian, who admitted that he manufactures Harley-Davidson branded apparel and

then offers it for sale using both wholesale and retail streams of distribution. Manoukian admitted he engages in this manufacturing business from the Saint Hubert Location. Mr. O'Keefe observed approximately 40 Harley-Davidson t-shirts and approximately 60 Harley-Davidson cloth and leather jackets;

- b) July 23, 2010, Saint Hubert Location: Mr. O'Keefe noted that only a female employee was present and there was no counterfeit Harley-Davidson apparel, although the woman stated that the Saint Hubert Location was the best place to come for a custom fitting of a Harley-Davidson leather jacket by Mr. Manoukian;
- c) August 10, 2010, Saint Hubert Location: Mr. O'Keefe noted that no Harley-Davidson clothing was on display, but purchased one t-shirt (no receipt, no tax; debit card refused) and made a \$50 layaway deposit for a cloth jacket obtained from a large garbage bag (the report notes the following: no hyphen in Harley-Davidson name on jacket; tried on two sizes; debit card refused, but receipt given for layaway payment). A female employee indicated that the Flea Market Location no longer carried Harley-Davidson apparel as there had been trouble and a complaint and asked if Mr. O'Keefe was an inspector;
- d) August 18, 2010, Saint Hubert Location: Mr. O'Keefe notes that he completed his layaway purchase of a cloth jacket (no tax, no receipt) and that two men were delivering leather to the second floor while he was at the store. No other Harley-Davidson apparel was observed in the store, but the female employee said that a leather jacket could easily be made;

- e) August 26, 2010, Flea Market Location: Mr. O'Keefe notes that no Harley-Davidson clothing was visible in the store, but Mr. Manoukian was present. Mr. O'Keefe purchased one t-shirt (no tax, no receipt), put \$25 towards a layaway jacket purchase, and agreed to purchase a counterfeit zippered hooded sweatshirt at a later date in cash, with no tax. Mr. O'Keefe observed that counterfeit Harley-Davidson clothing was stored in garbage bags and on hangers to right of cash register (all out of plain sight). Mr. Manoukian advised that all Harley-Davidson branded jackets were made at the Saint Hubert Location and that he could manufacture Harley-Davidson apparel in a variety of styles. A screen bearing a digital image of Harley-Davidson products was observed and believed to be used to show products to potential customers. Mr. Manoukian offered another jacket and long sleeved t-shirt for purchase; and
- f) September 3, 2010, Flea Market Location: Mr. O'Keefe completed his layaway jacket purchase, in addition to purchasing a Harley-Davidson branded hooded sweatshirt (cash), neither of which bore the neck labels found on genuine Harley-Davidson apparel. Mr. Manoukian advised that he had been manufacturing Harley-Davidson branded products for five years but that he no longer carried Harley-Davidson apparel at either location because he had had trouble with the RCMP. According to Mr. O'Keefe, Mr. Manoukian stated that Harley-Davidson should not give the Chinese the authority to make apparel and not allow Canadian manufactures to produce authentic apparel. Mr. Manoukian introduced himself as Johnny and said that Mr. O'Keefe could order Harley-Davidson products any time because he was a known customer.

[13] Mr. O'Keefe further describes three earlier visits he made to investigate the Defendants on behalf of the Plaintiffs. On October 20, 2006, he purchased one counterfeit Harley-Davidson jacket from the Flea Market Location (paid for by debit), meeting with Mr. Manoukian, who confirmed that he could manufacture a similar jacket in leather, in quantity and in various sizes. On March 25, 2007, he observed several different types of counterfeit Harley-Davidson apparel, in quantity, at the Flea Market Location, requested a quote for the purchase of 17 jackets in men's large and extra-large, and was referred to Mr. Manoukian (Johnny) to fill that order (perhaps by his son). Finally, on February 17, 2008, he observed approximately 80 counterfeit Harley-Davidson jackets, in nine different styles and designs, although no purchases were made.

ii) Affidavit of Alan Ovardia, sworn September 13, 2011

[14] Mr. Alan Ovardia is a lawyer who practices in the same premises as a Mr. Daniel Ovardia. Both have from time to time been individually retained by the firm for which counsel for the Plaintiffs work, to act as independent solicitor for serving cease and desist letters. Mr. Alan Ovardia claims to have received a telephone message through Mr. Daniel Ovardia on January 21, 2011 from an anonymous flea market vendor. Mr. Ovardia alleges that the "tipster" advised that Mr. Manoukian was selling counterfeit Harley-Davidson merchandise at the Flea Market Location and that Mr. Manoukian would hide such merchandise (t-shirts, watches and jackets) either below the counter or at an adjacent booth when anti-counterfeit enforcement teams entered the flea market, after which the merchandise would be put back on display.

[15] The "tipster" advised that Mr. Manoukian was manufacturing his own product at the Saint Hubert Location and that he partnered up with an unnamed embroidery person from the flea market.

In addition, the “tipster” is alleged to have stated that if nothing was done about Mr. Manoukian, he too would start selling illegal products.

iii) Affidavit of Jennifer Ziegler, sworn October 13, 2011

[16] Ms. Ziegler has been the associate general counsel for MI since 2010 and was previously (since 2005) the company’s senior trade-mark counsel. She attaches copies of Canadian registrations for four relevant trade-marks and attests that the Defendants have at no time been granted any license, right or other authority to manufacture wares bearing the Harley-Davidson Trade-marks and that the right to distribute certain merchandise and deliver certain services has been given exclusively to Fred Deeley.

[17] She attests to the reputation and goodwill acquired and enjoyed by the Plaintiffs in relation to the Harley-Davidson Trade-marks and to the detrimental impact likely to result due to the sale of counterfeit Harley-Davidson merchandise. In addition, she describes certain standards and practices adopted in relation to the manufacturing, distribution and sale of authorized Harley-Davidson products. Based on these standards, she analyzes the photographs of the garments acquired by Mr. O’Keefe and confirms her view that each is counterfeit. Ms. Ziegler attests at paragraph 42 of her affidavit that she ordered the delivery of a cease and desist letter on the Defendants on August 27, 2010, which resulted in the delivery up of one belt buckle which she confirms was counterfeit based on the image produced by Mr. O’Keefe.

iv) Affidavit of Jennifer Ziegler, sworn August 25, 2010

[18] In this affidavit, Ms. Ziegler attests to the counterfeit nature of the jacket purchased from the Defendants on August 18, 2010, based on photographs presumably taken by Mr. O'Keefe, citing standards and practices indicative of authenticity.

v) Affidavit of Service of Jonathan Ruel, sworn December 10, 2010

[19] This affidavit indicates that Mr. Ruel attended the Flea Market Location on August 27, 2010 in order to deliver cease and desist letters on behalf of the Plaintiffs, along with Mr. Anthony Iafrate (an investigator) and Mr. Lorne M. Lipkus (an attorney).

[20] He indicates that they met with Mr. Varoujian Manoukian at booth 625, that Mr. Manoukian identified himself verbally, that they delivered a cease and desist letter, and that Mr. Manoukian voluntarily delivered up a Harley-Davidson belt buckle, in exchange for a receipt.

vi) Affidavit of Jonathan Ruel sworn August 24, 2012

[21] This affidavit indicates that Mr. Ruel has worked as a bailiff for approximately 7 years and provides greater detail regarding the August 27, 2010 visit to the Marché aux Pucés Métropolitain Inc. He states that the affidavit is made in response to the Defendants' characterization of the service of the cease and desist letters as set forth in his affidavit, which he has reviewed.

[22] Mr. Ruel notes that at one of the booths they visited he overheard a conversation between the vendor and Mr. Lipkus in which the vendor expressed concern that he was being targeted while the main perpetrator was able to hide the counterfeits and remove them from his booth. The vendor

refused, at first, to give the name of his supplier, but later approached the enforcement group at another booth and, while speaking with the vendor of that booth, the first vendor was convinced to identify their common supplier and “blurt[ed] out ‘6-2-5’”.

[23] When they attended at booth 625, that of the Defendants, Mr. Lipkus greeted Mr. Manoukian who agreed to deliver up a Harley-Davidson belt buckle and, when asked if he had any other counterfeit Harley-Davidson goods, replied that he did not and did not deal in those products. Mr. Manoukian then permitted Mr. Ruel to search his booth, until becoming agitated, insisting that Mr. Lipkus explain how he had known the Defendant’s name. Mr. Manoukian ultimately signed the cease and desist documents in Mr. Ruel’s presence and agreed to abide by their terms. The enforcement group provided Mr. Manoukian with a receipt and did not complete their search of the premises. Mr. Ruel suggests that the occupants of booth 625 would have had ample time to remove or hide any infringing or counterfeit items once they began serving cease and desist letters on others.

[24] In addition to the six affidavits summarized above, the Defendants filed an affidavit of Varoujian Manoukian. In his affidavit, Mr. Manoukian categorically denies all accusations made by Mr. O’Keefe regarding counterfeiting by him and his company and calls into question the credibility of Mr. O’Keefe and Ms. Ziegler. He denies ever meeting Mr. O’Keefe or making the sales alleged in the O’Keefe Affidavit and states that the Saint Hubert Location is not large enough to house a manufacturing facility. He notes that on several occasions Mr. O’Keefe stated that no Harley-Davidson merchandise was on display.

[25] He further argues that Mr. O'Keefe's photographs establish no link between his store and the products photographed. He takes issue with the fact that Mr. O'Keefe at one point identifies him as "Victor" Manoukian and argues that it is inconsistent that Mr. O'Keefe claims to have seen a large quantity of counterfeit items on August 26, 2010, none of which were seized or seen during the search undertaken on August 27, 2010. He argues that he personally acquired the Harley-Davidson belt buckle (seized against his will) and that nothing prevented him from selling it second-hand at the flea market.

[26] Mr. Manoukian has been cross-examined on his affidavit, and a careful reading of the transcript reveals that Mr. Manoukian's memory and ability to recall things has been severely impaired for at least the last four years. Nevertheless, he is directly, actively and solely responsible for the activities of *Vêtements de Cuir Originaux V.M. Inc.* Neither the Defendant Company nor Mr. Manoukian keep books or records itemizing sales. Mr. Manoukian has failed or refused to provide particulars respecting independent contractors, employees and volunteers who were engaged by him or the Defendant Company from time to time. Mr. Manoukian acknowledged that he personally sold garments to the public from his booth at the Metropolitan Flea Market, and that he personally sold garments that were manufactured by the Defendant Company on a wholesale basis to businesses.

[27] Mr. Manoukian admits that the business card, the shopping bag, and the ticket bearing number 0667 that are contained within photographs in the affidavit of Mr. O'Keefe belong to him and the Defendant Company, but Mr. Manoukian denies that the garments depicted in those same images were manufactured or sold by the Defendants. He also said that he doesn't know who Mr.

O'Keefe is or what he looks like, and he doesn't remember the name John Joseph O'Keefe. He does not have any information to confirm whether he was at the Metropolitan Flea Market on June 11, 2010, and does not recall meeting someone named Mr. O'Keefe on July 23, 2010 at the Saint Hubert Location.

ISSUES

[28] There are two points in issue in this motion for summary judgment:

- a) Is there a genuine issue for trial with respect to the Defendants' liability to the Plaintiffs?
- b) If not, what damages are appropriate in the circumstances?

ANALYSIS

- a) Is there a genuine issue for trial with respect to the Defendants' liability to the Plaintiffs?**

[29] The purpose of Rules 213 to 219 of the *Federal Courts Rules* is to allow the Court to summarily dispense with cases which ought not to proceed to trial because there is no genuine issue to be tried. Rule 215 states that the Court shall grant summary judgment if it is satisfied that there is no genuine issue for trial:

If no genuine issue for trial

215. (1) If on a motion for summary judgment the Court is satisfied that there is no genuine issue for trial with respect to a claim or defence, the Court shall grant summary judgment accordingly.

Absence de véritable question litigieuse

215. (1) Si, par suite d'une requête en jugement sommaire, la Cour est convaincue qu'il n'existe pas de véritable question litigieuse quant à une déclaration ou à une défense, elle rend un jugement sommaire en conséquence.

Genuine issue of amount or question of law

(2) If the Court is satisfied that the only genuine issue is

(a) the amount to which the moving party is entitled, the Court may order a trial of that issue or grant summary judgment with a reference under rule 153 to determine the amount; or

(b) a question of law, the Court may determine the question and grant summary judgment accordingly.

Powers of Court

(3) If the Court is satisfied that there is a genuine issue of fact or law for trial with respect to a claim or a defence, the Court may

(a) nevertheless determine that issue by way of summary trial and make any order necessary for the conduct of the summary trial; or

(b) dismiss the motion in whole or in part and order that the action, or the issues in the action not disposed of by summary judgment, proceed to trial or that the action be conducted as a specially managed proceeding.

Somme d'argent ou point de droit

(2) Si la Cour est convaincue que la seule véritable question litigieuse est :

a) la somme à laquelle le requérant a droit, elle peut ordonner l'instruction de cette question ou rendre un jugement sommaire assorti d'un renvoi pour détermination de la somme conformément à la règle 153;

b) un point de droit, elle peut statuer sur celui-ci et rendre un jugement sommaire en conséquence.

Pouvoirs de la Cour

(3) Si la Cour est convaincue qu'il existe une véritable question de fait ou de droit litigieuse à l'égard d'une déclaration ou d'une défense, elle peut :

a) néanmoins trancher cette question par voie de procès sommaire et rendre toute ordonnance nécessaire pour le déroulement de ce procès;

b) rejeter la requête en tout ou en partie et ordonner que l'action ou toute question litigieuse non tranchée par jugement sommaire soit instruite ou que l'action se poursuive à titre d'instance à gestion spéciale.

[30] The test is not whether a party cannot possibly succeed at trial, but rather whether the case is so doubtful that it does not deserve consideration by the trier of fact at a future trial: see *Granville Shipping Co v Pegasu Lines Ltd*, [1996] 2 FC 853, 111 FTR 189 (TD). The case law has made it clear that to succeed on a summary judgment motion, a responding party cannot simply put in any evidence that, if believed, would raise a disputable issue of fact. The evidence must be credible and must disclose a serious reason to send the matter to trial: see *NFL Enterprises L.P. v 1019491 Ontario Ltd* (1998), 229 N.R. 231, 85 CPR (3d) 328 (FCA). Rule 214 of the *Federal Courts Rules* further specifies that a response to a motion for summary judgment shall not rely on what might be adduced as evidence at a later stage in the proceedings, but must set out specific facts and adduce the evidence showing that there is a genuine issue for trial:

Facts and evidence required

214. A response to a motion for summary judgment shall not rely on what might be adduced as evidence at a later stage in the proceedings. It must set out specific facts and adduce the evidence showing that there is a genuine issue for trial.

Faits et éléments de preuve nécessaires

214. La réponse à une requête en jugement sommaire ne peut être fondée sur un élément qui pourrait être produit ultérieurement en preuve dans l'instance. Elle doit énoncer les faits précis et produire les éléments de preuve démontrant l'existence d'une véritable question litigieuse.

[31] This Court has established that on a motion for summary judgment both parties are required to put their best foot forward and, while a moving party bears the legal onus of establishing all of the facts necessary to obtain summary judgment, the responding party has an evidential burden of showing that there is a genuine issue for trial: see *Garford Pty Ltd v Dywidag Systems International, Canada, Ltd*, 2010 FC 996, 88 CPR (4th) 7 at para 6, aff'd 2012 FCA 48, 99 CPR (4th) 392; *AMR Technology Inc v Novopharm Ltd*, 2008 FC 970, 70 CPR (4th) 177 at para 8. The Federal Court of

Appeal recently held that the principle that the parties must put their best foot forward precludes a respondent from claiming that other evidence that may be adduced at trial will contradict evidence adduced on the motion: *Sterling Lumber Co v Harrison*, 2010 FCA 21, 399 NR 21 at para 8.

[32] In the case at bar, the evidence adduced by the Defendants does not address, contradict or challenge in any way the Affidavit of Bailiff Ruel, the Affidavit of Alan Ovadia, nor the Affidavits of Jennifer Ziegler, apart from questioning their credibility generally. Accordingly, those affidavits are uncontroverted evidence in support of the Plaintiffs' request for summary judgment. There is no dispute before this Court that the Plaintiffs own the trade-mark rights they allege they own, that the garments purchased by Mr. O'Keefe are counterfeit, and that the belt buckle delivered up by the Defendants is also counterfeit.

[33] The only dispute between the parties is whether Mr. O'Keefe purchased the items referenced in his affidavit from the Defendants, on the dates and in the manner as he has specifically set forth in his affidavit. Indeed, the Defendants allege that they did not manufacture and/or sell and/or offer for sale jackets (leather or cloth) bearing the Harley-Davidson Trade-marks, and that they did not sell and/or offer for sale t-shirts bearing the Harley-Davidson Trade-marks.

[34] The Defendants tried to poke holes into the Plaintiffs' evidence. There are, indeed, minor inconsistencies and deficiencies in the evidence put forward by the Plaintiffs. For example, it appears that some of Mr. O'Keefe's reports were not always drafted on the same day of his visits to the Defendants' premises. There is no picture or video showing the counterfeited merchandise in the locations where they were allegedly sold. Mr. O'Keefe's assertion that he recognized certain

merchandise offered by the Defendants as counterfeit due to the lack of hyphen between Harley and Davidson does not apply to the majority of the goods he claims to have purchased and/or viewed. It is also true that the 2012 Ruel Affidavit, while very specific, could raise questions regarding its timeliness or reliability given the relative level of detail as compared with the much more contemporaneous 2010 affidavit that he swore. The Ovadia and Ziegler Affidavits do arguably constitute hearsay evidence, at least in part, with the Ovadia Affidavit in particular raising questions due to the fact that the “tipster” has not been identified.

[35] That being said, I am of the view that the Plaintiffs have succeeded in establishing the facts necessary to establish a finding of liability for trade-mark infringement and passing off, including infringement of the rights of MI and Fred Deeley to the trade-marks in question and the fact that the Defendants have offered for sale and sold merchandise bearing reproductions of at least one of the Harley-Davidson Trade-marks, without the consent, license or authority of the Plaintiffs, since at least approximately June 2010. As for hearsay evidence, it is no doubt true that Rule 81 of the *Federal Courts Rules* precludes hearsay evidence on motions for summary judgment and permits the Court to draw an adverse inference from the failure of a party to provide evidence of persons having personal knowledge of material facts. In *Society of Composers, Authors & Music Publishers of Canada v Maple Leaf Sports & Entertainment*, 2010 FC 731, [2010] FCJ no 885, however, Mr. Justice Phelan held that it would be contrary to the intent of the summary judgment rules to preclude all hearsay evidence, particularly where that evidence may be admissible at trial (para 19). In the case at bar, the hearsay evidence is not critical and has ultimately been corroborated.

[36] The Defendants have failed to meet their evidentiary burden on this motion and they should not be permitted to frustrate the benefits of the summary judgment process and insist on a full trial on the basis of credibility concerns, particularly those raised in relation to Mr. O'Keefe, that were entirely in their hands to address. Notwithstanding the availability of other witnesses, including Sylvie (who assisted him with sales) and Mr. Manoukian's son, Arman Manoukian, Mr. Manoukian has chosen not to produce their evidence, nor any records of their employment with the Defendant Company. The response of the Defendants is solely based upon Mr. Manoukian's recollection and/or memory which has been admitted by him to be faulty. Mr. Manoukian is unable to recall the names of his own employees, the fact that it is his son's name that appears on his business card and he has no recollection of sales made to customers, including Mr. O'Keefe. Mr. Manoukian acknowledged that he does not keep records of the sales that he made while selling at the flea market, and refused to provide evidence of people he engaged from time to time. Furthermore, Mr. Manoukian has proffered no evidence to substantiate his whereabouts and/or what sales if any were made to customers on the dates put forward in Mr. O'Keefe's Affidavit.

[37] Not only have the Defendants failed to provide any evidence to contradict the Plaintiffs' evidence and to explain why those witnesses who ought to be available to corroborate Mr. Manoukian's position have not been produced, but they also failed to cross-examine Mr. O'Keefe. At the hearing, counsel for the Defendants submitted that they did not cross-examine Mr. O'Keefe because he was not available, without giving any further details. This is not, without more details, a sufficient explanation, and they could certainly have asked for an extension of time if that was required. The Defendants are now barred from trying to impugn the credibility of a witness that they chose not to cross-examine. The facts sworn to by Mr. O'Keefe are very specific and detailed,

and they cannot be set aside merely by baldly denying the truth of Mr. O'Keefe's statements: see *Film City Entertainment Ltd v Golden Formosa Entertainment Ltd*, 2006 FC 1149, [2006] FCJ no 1514 at para 16, citing *Video Box Enterprises Inc v Lam*, 2006 FC 546, [2006] FCJ no 676 at para 23.

[38] For all of the foregoing reasons, I am of the view that the Defendants have failed to meet their evidential burden of showing that there is a genuine issue for trial. Therefore, summary judgment ought to issue. The only remaining issue has to do with the *quantum* of the damages.

b) What damages are appropriate in the circumstances?

[39] Infringement of a trade-mark is presumed when a person not entitled to its use under the *Trade-marks Act* sells, distributes or advertises wares or services in association with a confusing trade-mark or trade-name: *Trade-marks Act*, RSC 1985, c T-13, s. 20(1). Section 53.2 provides that a successful plaintiff may seek damages or an accounting of profits as one of the available remedies. When a defendant has delivered absolutely no documents to substantiate his manufacture and sale of counterfeit wares, as is the case here, it is obviously difficult, if not impossible, to assess the exact extent of the actual damages. In such circumstances, this Court has applied a minimum compensatory damage award on a per infringing activity basis. As Mr. Justice Pelletier stated in *Ragdoll Productions (UK) Ltd v Jane Doe*, [2003] 2 FC 120, 2002 FCT 918 [*Ragdoll Productions*] at para 37:

It is always open to a defendant to prove the extent of its trade in counterfeit goods and to seek to have damages assessed on the basis of its actual sales. But where vendors keep no records, it does not lie in their mouths to say that the plaintiff has no evidence by which to prove the damages flowing from their business operations.

[40] As an alternative to an accounting of profits and a quantification of actual damages, this Court has applied a minimum compensatory damage award on a per infringing activity basis, in circumstances in which it would be difficult to prove actual damages or profits based on lack of documentation regarding sales, as follows:

- a) \$3,000.00 against flea market vendors, street vendors and itinerant sellers;
- b) \$6,000.00 against fixed retail establishments; and
- c) \$24,000.00 against importers, distributors and manufacturers.

Ragdoll Productions, above, at para 35;
Oakley, Inc v Jane Doe, [2000] FCJ no 1388, 193 FTR 42 [*Oakley*], at paras 3 & 11;
Nike Canada Ltd et al v Goldstar Design Ltd et al (Court File T-1951-95) (FCTD) (1997) [*Nike Canada Ltd*].

[41] In 2007, this Court accepted the proposition that the minimum compensatory damage awards established in *Nike Canada Ltd* should be adjusted to account for inflation. The Court accepted that minimum compensatory damages of \$6,000.00, when adjusted for inflation, would equate to approximately \$7,250.00, a percentage increase of approximately 20.83%: see *Louis Vuitton Malletier S.A. v Yang*, 2007 FC 1179, 62 CPR (4th) 362 at para 43.

[42] Extrapolating the minimum compensatory damage awards for flea market vendors by the same percentage, the Court granted an amount of \$3,625.00 in *Guccio Gucci S.p.A. v Michael Mazzei*, 2012 FC 404, 101 CPR (4th) 219, at para 17.

[43] This Court has also been willing to calculate damages using a multiplication of the minimum compensatory damage figure in instances where the Court has before it evidence of ongoing activities that represent more than a single instance of infringement: see *Louis Vuitton*

Malletier S.A. v Yang, above, at para 43. Canadian courts have also held that in circumstances involving counterfeit activities by a defendant in which the intellectual property rights of multiple plaintiffs have been infringed, each plaintiff is entitled to damages, as a defendant would be liable for damages to each plaintiff if each plaintiff enforced its rights individually. The minimum compensatory damage award should reflect the damages suffered by both the trade-mark owner and the license/distributor: *Louis Vuitton Malletier S.A. v Singga Enterprises (Canada) Inc*, 2011 FC 776, 392 FTR 258, at para 134; *Oakley Inc*, above, at paras 12-13; *Louis Vuitton Malletier S.A. v Yang*, above, at para 43.

[44] As previously mentioned at paragraph 12, the O'Keefe Affidavit substantiates at least six potential incidents of infringement. The Plaintiffs have characterized the second, third and fourth events (respectively on July 23, 2010, August 10, 2010 and August 18, 2010) as instances of sale/offering for sale from a manufacturing facility. I do not believe that such a characterization is appropriate or warranted by the evidence. There is no clear evidence of manufacturing activity at the Saint Hubert Location. It is true that on cross-examination, Mr. Manoukian admitted that his company manufactured leather and waterproof garments, sold these garments on a wholesale basis, and used to own many sewing machines (Plaintiffs' Supplementary Submissions, Tab 2 (cross-examination of Mr. Manoukian, at pp. 35-38)). But, as previously mentioned, Mr. Manoukian's testimony is far from reliable, and Mr. O'Keefe was not witness to and did not report any manufacturing activity at the Saint Hubert Location. It is true that Mr. O'Keefe witnessed the delivery of leather to the second floor of the Saint Hubert Location on August 18, 2010, and that the Defendant was willing to make jackets to order. These events, however, are not sufficient in my

view to establish that Mr. Manoukian is in the business of manufacturing counterfeit wares. For these reasons, I do not believe that the manufacturing damage award should apply.

[45] As a result, I would award compensatory damages in the amount of \$3,625.00 for the events that took place on June 11, 2010, August 26, 2010 and September 3, 2010, and an amount of \$7,250.00 for the events that took place on June 23, 2010, August 10, 2010 and August 18, 2010. Since the Plaintiffs in this action are seeking damages on behalf of the trade-mark owner, MI, and the licensee/distributor, MCI/Fred Deeley, these amounts should be doubled for a total of \$65,250.00, payable jointly and severally by the Defendants.

[46] Counsel for the Plaintiffs also sought punitive damages and drew the Court's attention to the decision of my colleague Justice Snider in *Louis Vuitton Malletier S.A. v Yang*, above, where punitive damages in the amount of \$100,000.00 were granted against the Defendants.

[47] There is clearly no statutory impediment to assessing punitive damages in addition to profits or damages awarded in the usual manner. As stated by Justice Binnie in *Whiten v Pilot Insurance Co*, 2002 SCC 18, [2002] 1 SCR 595, at para 36, punitive damages will be awarded against a defendant:

...in exceptional cases for "malicious, oppressive and high-handed" misconduct that "offends the court's sense of decency": *Hill v Church of Scientology of Toronto*, 1995 CanLII 59 (S.C.C.), [1995] 2 S.C.R. 1130, at para. 196. The test thus limits the award to misconduct that represents a marked departure from ordinary standards of decent behaviour. Because their objective is to punish the defendant rather than compensate a plaintiff (whose just compensation will already have been assessed), punitive damages straddle the frontier between civil law (compensation) and criminal law (punishment).

[48] Relying on the general principles developed in *Whiten*, as summarized by the Nova Supreme Court in *2703203 Manitoba Inc v Parks*, 2006 NSSC 6, 47 CPR (4th) 276, Justice Snider listed the relevant factors to consider as follows:

- Whether the conduct was planned and deliberate;
- The intent and motive of the defendant;
- Whether the defendant persisted in the outrageous conduct over a lengthy period of time;
- Whether the defendant concealed or attempted to cover up its misconduct;
- The defendant's awareness that what he or she was doing was wrong; and
- Whether the defendant profited from its misconduct.

Louis Vuitton Malletier S.A. v Yang, above, at para 47.

[49] On the basis of the evidence that is before the Court, I am satisfied that punitive damages are warranted in the present case. As is detailed in the Affidavit of Mr. O'Keefe, it appears that the Defendants have been offering for sale and selling counterfeit Harley-Davidson merchandise since as early as October 2006. The Defendants were served with a cease and desist letter on behalf of the Plaintiffs on August 27, 2010, at the Flea Market Location, yet they continued to offer for sale and sell counterfeit Harley-Davidson merchandise. Indeed, it would appear that Mr. Manoukian was well aware of the illegal nature of his trade, as he explained to Mr. O'Keefe that the reason he did not carry Harley-Davidson in the open was because he "had trouble" with the RCMP (Report no. 5 of Mr. O'Keefe, Exhibit "I" of his affidavit, p. 44 of the Motion Record). According to Mr. O'Keefe, the Defendants concealed some of their counterfeit Harley-Davidson merchandise in garbage bags. In his affidavit, Mr. Ovadia also notes that he was informed by the "tipster" that Mr. Manoukian knowingly concealed the same merchandise below the counter or at an adjacent booth until anti-counterfeit enforcement teams departed the flea market premises. From this conduct, it is clear that Mr. Manoukian, who is clearly the controlling mind of the Defendant Company (one of

her employees even said that “God was #1, he was #2”: Motion Record, p 28), knew that he was acting in contravention of the rights of the Plaintiffs. That wrongful behaviour went on for a number of years, in blatant disregard of the law, and it must be sanctioned with punitive damages.

[50] The quantification of punitive damages, however, is far from an exact science. In theory, punitive damages should be calculated to relieve a wrongdoer of its profit where compensatory damages do not achieve that purpose. As Justice Binnie stated in *Whiten* (at para 72):

Sixth, it is rational to use punitive damages to relieve a wrongdoer of its profit where compensatory damages would amount to nothing more than a licence fee to earn greater profits through outrageous disregard of the legal or equitable rights of others.

[51] In the case at bar, the actions of the Defendants make an accurate assessment of profits impossible, as they did not keep records of their sales and failed to provide access to their books. In these circumstances, it is virtually impossible to determine what amount of punitive damages would be required to relieve the Defendants of profits in excess of the damages assessed above. As this Court stated at paragraph 44 of *Louis Vuitton v Yang*: “While it appears that the Plaintiffs are suffering in the award of damages through no fault of their own, I believe that punitive damages may be helpful in leveling the playing field and resulting in a total award that is just.” Having duly considered the evidence in its totality and the submissions made by the parties, I come to the conclusion that punitive damages in the amount of \$50,000.00 should be awarded to sanction the blatant disregard of the law by the Defendants.

[52] Finally, the Plaintiffs are seeking costs on a solicitor-client basis. It is well established that such costs should only be awarded where a party has displayed reprehensible, scandalous or

outrageous conduct. A failed motion to set aside a default judgment does not, in and of itself, warrant the awarding of solicitor-client costs. That being said, such costs may be appropriate where the defendant has committed a deliberate and inexcusable violation of the plaintiff's rights, particularly where the plaintiff's actions have resulted in substantially higher legal fees and disbursements than would otherwise have been necessary.

[53] Having reviewed the record, I notice that the Defendants have missed a number of deadlines, although an explanation has been provided in some instances. I do not find, however, that these missed deadlines evidence the kind of conduct attracting solicitor-client costs. As for the unjustifiable and inexcusable violation of the Plaintiffs' rights, they are covered by the punitive damages. In the result, I am not prepared to grant costs on a solicitor-client basis, nor to accede to the bill of costs submitted at the hearing of this motion. An award of costs under Column V of Tariff "B" of the *Federal Courts Rules* appears to me to be sufficient to cover the higher legal fees and disbursements that have resulted from the unjustified delays caused by the Defendants.

CONCLUSION

[54] In the end, the Plaintiffs have established that they are entitled to the relief sought. Judgment will therefore issue against the Defendants, jointly and severally, in the amount of \$65,250.00 as compensatory damages and in the further amount of \$50,000.00 as punitive damages. The whole with costs for the Plaintiffs, to be determined under Column V of Tariff "B".

ORDER

THIS COURT ORDERS that:

1. As between the Plaintiffs and the Defendants, the Canadian registered trade-marks TMA385,695 (“HARLEY-DAVIDSON”), TMA524,013 (“HARLEY-DAVIDSON”), TMA286,290 (“MOTOR HARLEY-DAVIDSON CYCLES & DESIGN”) and TMA701,942 (“HARLEY”) (hereinafter collectively referred to as the “Subject Trade-marks”) have been infringed by the Defendants by virtue of the sale and manufacturing of merchandise bearing one or more of the Subject Trade-marks without the consent, license or permission of the Plaintiffs, contrary to sections 19 and/or 20 of the *Trade-marks Act*, RSC. 1985, c T-13 (hereafter the “*Trade-marks Act*”).

2. The Defendants have directed public attention to the Subject Merchandise (as defined below) in such a way as to cause or be likely to cause confusion in Canada between the Subject Merchandise and the Plaintiffs’ authorized merchandise contrary to the provisions of paragraph 7(b) of the *Trade-marks Act*.

3. The Defendants have used the Subject Trade-marks in a false and material way which misled the public as to the character, quality or composition of the Subject Merchandise and as to the mode of the manufacture, production or performance thereof contrary to the provisions of paragraph 7(d) of the *Trade-marks Act*.

4. The Defendants have depreciated the value of the goodwill attaching to the Subject Trade-marks, contrary to the provisions of subsection 22(1) of the *Trade-marks Act*.
5. The Defendants (including their officers, directors, servants, employees or agents, as applicable) are restrained from offering for sale, displaying, advertising, selling, importing, exporting, manufacturing, distributing, or otherwise dealing in merchandise not being that of the Plaintiffs, bearing any one or more of the Subject Trade-marks (hereafter the "Subject Merchandise").
6. The Defendants (including their officers, directors, servants, employees or agents, as applicable) are restrained from directing public attention to their wares in such a way as to cause or be likely to cause confusion in Canada between their wares and the wares of the Plaintiffs contrary to the provisions of paragraph 7(b) of the *Trade-marks Act*, by the use of the Subject Trade-marks or any trade-mark confusingly similar thereto.
7. The Defendants or any one of them, forthwith deliver up to the Plaintiffs or as the Plaintiffs may direct, all Subject Merchandise in their possession, custody and control, wheresoever situated.
8. The Plaintiffs may destroy, or otherwise dispose of, as they shall see fit, all Subject Merchandise delivered up by the Defendants.

9. The Defendants, jointly and severally, shall pay to the Plaintiffs, the Plaintiffs' costs associated with the cartage, storage and destruction of the Subject Merchandise.

10. The Defendants, jointly and severally, shall pay to the Plaintiffs damages in the amount of \$65,250.00 arising from the infringement and passing off by the Defendants of the Subject Trade-marks.

11. The Defendants shall pay to the Plaintiffs, punitive damages in the amount of \$50,000.00.

12. The Defendants, jointly and severally, shall pay to the Plaintiffs forthwith, costs pursuant to Column V of Tariff B.

"Yves de Montigny"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

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PLACE OF HEARING: Toronto, Ontario

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**REASONS FOR ORDER
AND ORDER:** de MONTIGNY J.

DATED: February 26, 2013

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