

SUPREME COURT OF BRITISH COLUMBIA GRANTS INJUNCTIVE RELIEF IN PASSING OFF CASE CONCERNING HERMÈS HANDBAGS

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The Supreme Court of British Columbia granted injunctive relief to the Plaintiffs Hermes Canada Inc and Hermes International S.A. who sought an interim injunction to enjoin and restrain the Defendant, Youngghul Park from selling “knockoff” Hermes style purses in his retail store (*Hermes Canada Inc. v. Henry High Class Kelly Retail Store*, 2004 BCSC 1694-Docket S046494 (December 17th, 2004, Boyd, J.)).

The facts

Sometime in 2003, the defendant’s sister-in-law conceived a business venture in Vancouver based on her knowledge of her Korean neighbour’s operations involving several Henry High Class Kelly retail stores in Korea, Japan, Guam and Hawaii. She questioned if her brother-in-law Mr. Park, the Defendant and his wife were interested in opening such a store in Vancouver “with her help”. The Defendant, a resident of Winnipeg, began to search for a location in Vancouver and on June 11th, 2004, executed a five-year lease. Noteworthy is that this space was located across the street from the Hotel Vancouver and very nearby Robson Street – a very popular shopping street in downtown Vancouver. Not coincidentally, the Plaintiffs noted that the Defendant’s premises were located across the street from the very location where a Hermes-authorized store once operated.

On August 18th, 2004, Mr. Park registered personally with the Registrar of Companies as an individual doing business under the business name Henry High Class Kelly Retail Store (“Henry Store”). Defendant’s wife Mrs. Park lives in Vancouver and works as the Henry Store manager while Mr. Park continued

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to reside in Winnipeg where he operates a grocery store while continuing to try and sell both that business and the family home.

Although there was little information concerning the details and structure of the business relationship between the Parks and Mrs. Park's sister, it was the latter who took charge of obtaining the Henry High Class Kelly bags and accessories.

On September 12th, 2005, the Henry Store opened for business. The President and CEO of Hermes Canada, while on business in Vancouver, visited the Henry Store and found the Defendant was not only selling a few "knockoff" Hermes handbags but rather every single item sold was a copy of a Hermes product.

Apart from selling a duplication of the entire line of Hermes handbags, the Henry Store also sold certain styles of handbags which, although sold elsewhere by Hermes, had not yet been released for sale in any Hermes store in Canada.

On November 12th, 2004, a private investigator attended the Henry store and presented an attending sales clerk with a Japanese Hermes catalogue, identifying the items she wished to purchase. The corresponding products were selected by the clerk and purchased by the investigator.

On November 22nd, 2004, the Plaintiffs commenced the injunction proceeding. On, November 26, 2004, the Defendant included another line of handbags in its inventory for sale at the Henry Store, under the name Beniya. The latter took up approximately 7% of the retail space.

The Hermes Kelly and Birkin handbags sell at a retail price range of \$6,900-\$17,000 and \$7,990-\$32,000 respectively while the Henry High Class handbags sold at a retail prices between \$310-\$1,545.

Test for passing off

The issue addressed by the Court was as follows:

Did Hermes meet the test for the granting of an injunction in a passing off case?

In order to respond to this query, the Court analysed the three elements required to succeed: (i) the existence of goodwill, (ii) the deception of the

public due to a misrepresentation and (iii) actual or potential damage to the plaintiff.

Goodwill

The Defendant unsuccessfully argued that Hermes had no exclusivity in the handbag lines in question by relying on many advertisements, catalogue pages and web site exhibits that Hermes styles, in particular the Kelly and Birkin styles, have become generic “classic” styles which are copied and promoted by merchants worldwide.

The Court held that there was no merit to the Defendant’s submission. While not ignoring that many merchants worldwide promote the sale of Hermes handbag “knockoffs”, the Court noted that those promotions appear to be directed primarily at the replication of the two perhaps most famous Hermes styles – the Birkin bag and the Kelly bag. However, these merchants did not appear to be attempting, as was the Defendant, to sell a replication of the entire line of Hermes handbags. Furthermore, and more importantly, the Court justifiably cautioned that this line of reasoning, that because offensive copying conduct is so widespread, the Defendant’s actions should be condoned by the Court, could not serve as an answer to Hermes’ complaint.

The Defendant also tendered that even if the Henry bags were “knockoffs” of Hermes designs, Hermes cannot be presumed to have any goodwill in the designs, since it had no registered trademark or industrial design in any handbag style in Canada. In other words, the Defendant argued that Hermes ought to be considered to be in no better position than the holder of an unregistered mark.

The Court was also not persuaded by this argument and aptly stated that the absence of a registered trademark does not displace an owner’s ability to launch a common law action for passing off in a quest to secure its right of exclusive use and its right to protect against dilution of its goodwill by tarnishment of reputation

The Court concluded that based on the materials before it, it was satisfied Hermes established a strong case that it has goodwill in the name, reputation and handbag styles in issue and that there was a fair issue to be tried.

Misrepresentation

The Defendant argued that even if one accepted Hermes had established goodwill in its name, there was no evidence of any deception through misrepresentation insofar as he had in no way associated himself or the Henry Store with the Hermes name. The Defendant supported this pretension by outlining the steps that were taken to distinguish the Henry handbag line from the Hermes handbag line:

- the markings on the wares, that is the name Hermes does not appear on the handbags
- the large sign above the entrance to the store bearing the name HENRY HIGH CLASS KELLY
- that same logo appears on the wall of the store, in the front window, and on the front cash counter
- the words "made in Italy" are prominently displayed in the handbags
- the interior décor of the store is very different from that of a typical Hermes store and is therefore distinguishable.

Hermes responded to Defendant's contention by submitting this was not the focus of their action and the issue was whether an ordinary consumer, as a matter of first impression and imperfect recollection, would believe the Henry handbags were somehow approved, authorized or endorsed by Hermes. Moreover, Hermes argued that a consumer may believe that the Henry Store was specifically authorized to sell a Hermes "second line" of products or at least that there was some connection between the Henry Store and Hermes.

The Court opined that it accepts there may be some risk that on entering the Henry Store and seeing the handbags carrying the name Henry High Class instead of Hermes, a customer might conclude this store was authorized to market a Hermes "second line", but absent evidence by either party regarding consumer experience by way of individual affidavits or surveys or otherwise, it was unable to assess the extent of that risk.

While the Court considered this element to be the weakest link of the case, it nevertheless stated that Hermes had a fair case to be tried on the issue, particularly since the Defendant had very clearly dedicated himself to matching the Hermes handbag line, product for product.

Actual or Potential Harm

Hermes claimed that it was impossible to determine the damages in this case but provided that customers who believed they were buying a Hermes

“second line” product, would result in its suffering harm to its reputation and accordingly suffering a financial loss. Hermes further argued that a loss of control over its designs would be analogous to the loss of control over the reputation, image and goodwill associated with the Hermes name and that this loss of control in itself constituted irreparable harm to Hermes.

The Court agreed with Hermes and stated that the real issue at bar was not lost sales but rather the loss of reputation which would flow from the Defendant’s operation of the Henry Store.

As for the balance of convenience, the Court decided that it weighed in favour of Hermes. It rejected Defendant’s characterization of himself as an innocent immigrant grocer who risked financial ruin should the injunction be granted. Although the evidence was not clear, the Court was left to infer from the materials before it that other larger, international players were behind the scenes since the Defendant chose not to provide the Court with better particulars of the structure of his Henry Store nor its investors. Further, interestingly enough, neither the Defendant nor his wife Mrs. Parks, had identified her sister by name and address.

The Court concluded that the Defendant offered no proof it had the ability to satisfy a claim for damages, as opposed to Hermes who undoubtedly established it was well able to satisfy any damages suffered by the Defendant should the injunction be allowed.

In granting the injunction, the Court underlined that the order was not meant to close the Defendant’s business and that he was free to market the Beniya line of handbags or whatever other products he choose as long as he no longer offered the Henry High Class handbags for sale, pending trial.

Conclusion

This case may serve as a reminder to petitioners for interlocutory injunctions in passing off actions about the importance of the issue of irreparable harm and the evidentiary hurdles in establishing same. As particularly concerns luxury goods, perhaps the emphasis placed on the issue of loss of reputation rather than loss of sales in determining irreparable harm coupled with the granting of injunctions by the Courts, may dissuade counterfeiting-minded merchants from engaging in such activities.

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