

THE TYPE AND AMOUNT OF REMEDY GRANTED IN A TRADE-MARK CASE

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3925928 Manitoba Ltd. v. 101029530 Saskatchewan Ltd. 2005 FC 1465 (Federal Court of Canada, Justice Snider)

1. Judgment and issue

The Plaintiffs in this trade-mark dispute seek default judgment against the Defendants for the infringement of their various trade names and trade-marks related to “Shapes for Life” franchise fitness centres. The Federal Court of Canada (hereinafter “the Court”) allowed the Plaintiffs’ motion for an interlocutory injunction and granted an order for the custody or preservation of property that is or will be the subject matter of the proceeding.

The Plaintiffs are entitled to default judgment given that : the Defendants did not appear for the hearing of the present motion, the Court is satisfied that the Plaintiffs hold the rights to the “Shapes for Life” mark, the Defendants knowingly and willingly infringed the Plaintiffs’ trade-marks, and the Court is satisfied that the Defendants have failed to comply with the order for custody or preservation of property.

In addition to a permanent injunction and other remedies, the Plaintiffs seek two types of monetary remedy: an accounting of profits and damages. The main issue before the Court is the type and amount of remedy that should be granted in the circumstances.

2. Accounting of profits

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The Plaintiffs seek an accounting of profits based on franchise fees and equipment fees allegedly received by the Defendants.

On that issue, the Court mentions that “the object of an accounting of profits is to give a plaintiff the actual profits which the defendant has improperly made. The plaintiff has the onus of first proving the defendant's gross revenue from the infringing product or service, and then the defendant must prove any offsetting expenses, allowing the court to arrive at a net profit amount. An accounting is an equitable remedy whereby the owner of the mark is entitled to receive the entire benefit that the infringer had gained. If the plaintiff elects this mode, then the harm or damage suffered by the plaintiff is “completely irrelevant” and cannot be taken into consideration.”

On the basis of three affidavits, the Court grants to the Plaintiffs the amount of money representing the revenue received by the Defendants from the franchise fees and equipment fees, which sales were made in contravention of the rights of the Plaintiffs.

3. Damages

In addition to an accounting of profits, the Plaintiffs also seek an award of damages. The Federal Court explains that “in trademark and patent cases, the plaintiff must elect whether to receive compensation by an accounting of profits or damages. Since the purpose of damages (excluding punitive damages) is compensation, to allow both an accounting of profits and damages would result in double recovery. (...) While a party may plead both equitable [accounting of profits] and legal [damages] remedies, they should only receive one remedy in judgment, as each remedy purports to sufficiently redress the wrong.”

For lack of evidence, the Court concludes that no general damages will be awarded.

4. Punitive damages

The Plaintiffs also seek \$1,000,000 in punitive damages.

The Court is of the view that “punitive” or “exemplary” damages are not compensatory in nature, but are awarded as punishment on the infringer. They must be sufficiently substantial to act as a deterrent (*Lubrizol Corp. v. Imperial Oil Ltd.*, [1996] 3 F.C. 40, F.C.J. No. 454 (F.C.A.) at para. 40). A court must first assess general damages; punitive damages should only be ordered

"in those circumstances where the combined award of general and aggravated damages would be insufficient to achieve the goal of punishment and deterrence" (*Hill v. Church of Scientology of Toronto*, [1995] 2 S.C.R. 1130, per Cory J. at 1208-1209)."

Although the Defendants failed to comply with the order for custody or preservation of property, the Court does not see a reasonable basis for characterizing the Defendants' conduct in this litigation as vindictive, reprehensible and malicious, oppressive, or extreme. Therefore, the Court did not award any punitive damages.

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