

Federal Court



Cour fédérale

Date: 20210119

Docket: T-1397-16

Citation: 2021 FC 64

Ottawa, Ontario, January 19, 2021

PRESENT: The Honourable Mr. Justice Southcott

BETWEEN:

DUNN'S FAMOUS INTERNATIONAL HOLDINGS INC.

Plaintiff

and

**INA DEVINE, STANLEY DEVINE
1222187 ONTARIO LIMITED
1924599 ONTARIO INC.
2189944 ONTARIO INC.
9702938 CANADA INC.
GRAY JOHNSON
2474234 ONTARIO INC.
MOISHE SMITH
TIM LONG CHANG
RIPON AHMED
VINCENT GOBUYAN
10199087 CANADA CORPORATION
10199052 CANADA LTD.**

Defendants

AND BETWEEN:

**INA DEVINE
STANLEY DEVINE
1222187 ONTARIO LIMITED
1924599 ONTARIO INC.
2189944 ONTARIO INC.**

Plaintiffs by Counterclaim

and

**DUNN'S FAMOUS INTERNATIONAL HOLDINGS INC.
PLACEMENT ISB INC.
ELLIOT KLIGMAN**

Defendants by Counterclaim

JUDGMENT AND REASONS

I. Overview

[1] The Plaintiff has brought an *ex parte* motion in writing, seeking: (a) an order reversing the Order dated September 13, 2017, issued pursuant to Rule 107 of the *Federal Courts Rules*, SOR/98-106 [the Rules], which had bifurcated the trial of the liability issues and the quantification issues in this matter; and (b) an order, pursuant to Rule 210, granting default judgment against the Defendants that are in default in filing a Statement of Defence, namely, 9702938 Canada Inc., Gray Johnson, 2474234 Ontario Inc., Moishe Smith, Tim Long Chang, Ripon Ahmed, Vincent Gobuyan, 10199087 Canada Corporation and 10199052 Canada Ltd. [the Defaulting Defendants].

[2] This motion is granted (in part), and Judgment is entered against the Defaulting Defendants. These Reasons explain the Court's decision as to the relief contained in the Judgment, which does not include all relief requested in the motion.

II. Background

[3] The Plaintiff, Dunn's Famous International Holdings Inc., is a Canadian company, which operates a consumer retail food product development, marketing, licensing, and wholesale distribution

business based out of Montreal, Quebec. In the within action, commenced by Statement of Claim filed on August 19, 2016, the Plaintiff asserts causes of action under the *Trademarks Act*, RSC 1985, c T-13, and the *Copyright Act*, RSC 1985, c C-42, against a variety of corporate and individual Defendants alleged to have infringed the Plaintiff's rights under those statutes.

[4] The trademark interests asserted by the Plaintiff in this action are:

- A. the Canadian registered trademarks TMA724,615 "DUNNS FAMOUS & DESIGN"; TMA1075279 "DUNN'S FAMOUS & DESIGN"; TMA1075280 "DUNN'S EST. 1927 & DESIGN"; and TMA1024058 DUNN'S EXPRESS & DESIGN;
- B. the trademark application numbers APP1945271 "DUNN'S"; and APP1945272 "DUNN'S FAMOUS";
- C. the trade names "Dunn's Famous Delicatessen"; "Restaurant, Dunn's Famous"; and "Dunn's Famous Smoked Meat"; and
- D. all rights having accrued under the *Trademarks Act*, as well as all corresponding common law rights, in connection with the expunged trademarks TMA357,531 "DUNN'S FAMOUS SMOKED MEAT SHOPPES"; and TMA360,232 "DUNN'S FAMOUS & DESIGN" [together, the Dunn's Trademarks].

[5] The background to the action is the activities of certain of the Defendants, namely Ina Devine, Stanley Devine, and corporations they own and control, 1222187 Ontario Limited, 1924599 Ontario Limited and 2189944 Ontario Limited [together, the Devine Defendants]. Between 2007 and 2018, the Devine Defendants entered into a series of agreements with third parties, without the authority of the

Plaintiff, purporting to provide licenses to those third parties, in relation to trademarks that are the subject of this action. Such third parties were also named as Defendants.

[6] In July 2017, the Plaintiff filed a motion to bifurcate the trial of the liability and quantification issues in this action because, at the time, several of the Defendants had filed Counterclaims pleading that the Dunn's Trademarks were either not valid or not owned by the Plaintiff. Justice St-Louis ordered bifurcation under Rule 107 on September 13, 2017.

[7] Subsequently, the Devine Defendants and, with the exception of the Defaulting Defendants, the third parties with which the Devine Defendants had entered into licensing agreements consented to judgments, in which they recognized the Plaintiff's ownership of the Dunn's Trademarks and the validity thereof.

[8] The Plaintiff's pleading rests with a Second Amended Statement of Claim, filed on December 9, 2019. The Defaulting Defendants are those Defendants named in the Second Amended Statement of Claim that have not filed a Statement of Defence within the time required under the Rules. The roles of these Defendants in the activities giving rise to the action will be canvassed in more detail later in these Reasons. However, by way of introduction, they are the following parties;

- A. Gray Johnson and a corporation the Plaintiff says is controlled by Mr. Johnson, 9702938 Canada Inc. [970], alleged to have operated a restaurant using the Dunn's Trademarks, without authorization from the Plaintiff, at 902 Shefford Road, Gloucester, Ontario, since at least August 2016 [together the Johnson Defendants];

- B. Moishe Smith and a corporation the Plaintiff says is controlled by Mr. Smith, 2474234 Ontario Inc. [247], alleged to have operated a restaurant using the Dunn's Trademarks, without authorization from the Plaintiff, at 5-1460 Merivale Road, Ottawa, Ontario, since at least November 2015 [together the Smith Defendants];
- C. Tim Long Chang, Ripon Ahmed, Vincent Gobuyan, and two corporations the Plaintiff says are controlled by one or more of those individuals and Mr. Johnson, 10199087 Canada Corporation [087] and 10199052 Canada Ltd. [052], which are alleged to have been involved in the operation of restaurants using the Dunn's Trademarks, without authorization from the Plaintiff, at three locations:
- i. 2010 Trim Road, Orléans, Ontario, since March 2018;
 - ii. 1779 Danforth Avenue, Toronto Ontario, since October 2018; and
 - iii. 1679 Carling Avenue E, Ottawa, Ontario, since February 2019;
- [together, including Mr. Johnson, the Chang Defendants].

[9] The Plaintiff filed a Notice of Motion dated August 17, 2020, seeking default judgment against the Defaulting Defendants under Rule 210(1). The motion also seeks to reverse the bifurcation order, so as to allow for default judgment to be entered on both liability and quantification issues.

[10] The Plaintiff filed its motion on an *ex parte* basis vis a vis the Defaulting Defendants, as permitted by Rule 210(2). It served its motion materials on counsel for the Devine Defendants. However, presumably because the motion does not affect their interests, the Devine Defendants did not file responding materials or otherwise appear on the motion.

[11] As also permitted under Rule 210(2), the Plaintiff filed its motion in writing under Rule 369. However, upon reviewing the written motion materials, I issued a Direction to the Plaintiff's counsel (copied to counsel for the Devine Defendants) that an oral hearing was required, to afford the Plaintiff's counsel an opportunity to provide submissions surrounding the relief requested. That hearing took place by videoconference employing the Zoom platform, with only the Plaintiff's counsel appearing, on December 17, 2020.

III. Issues

[12] The Plaintiff submits that its motion raises the following issues for the Court's determination:

- A. Is it in the interests of justice to reverse the bifurcation ordered on September 13, 2017?
- B. Are the Defaulting Defendants in default in filing a notice of appearance or statement of defence within the time set out in the Rules?
- C. Has the Plaintiff adduced sufficient evidence to establish the claims asserted in the Second Amended Statement of Claim, in particular with respect to the following:
 - i. Is the Plaintiff the sole and exclusive owner of the Dunn's Trademarks?
 - ii. Did the Defaulting Defendants use the Dunn's Trademarks without the Plaintiff's authorisation?
 - iii. Did the activities of the individual Defaulting Defendants engage their personal liability?

- iv. Is the Plaintiff entitled to the relief listed in the *Trademarks Act* against the Defaulting Defendants?
- v. Did the Defaulting Defendants wilfully and deliberately cause trademark infringement, passing off, depreciation of goodwill, and false and misleading advertising?
- vi. Did 087, 052, Mr. Chang, Mr. Ahmed, and Mr. Gobuyan engage in illegal reproduction of the Plaintiff's webpages hosted on dunnsfamous.com on their website dunnsexpress.co?
- vii. Is the Plaintiff entitled to seek the costs of this action against the Defaulting Defendants?

[13] Many of the above issues require very little analysis in order to conclude that the Plaintiff has met its burden on this motion. Indeed, it is typical for the Court to address default judgment motions through a recitals-type Judgment, without the provision of detailed Reasons. My decision to prepare this Judgment and Reasons is a result of particular concerns, surrounding aspects of the requested relief, which prompted my request for an oral hearing. My analysis will therefore identify, and focus principally upon, those concerns. However, I am satisfied that the above list of issues proposed by the Plaintiff, in some cases combining issues that require related determinations, provides an appropriate framework around which to structure these Reasons.

IV. **Analysis**

A. *Is it in the interests of justice to reverse the bifurcation ordered on September 13, 2017?*

[14] I accept the Plaintiff's submission that the rationale for the bifurcation order no longer applies, as the issue of validity of the Dunn's Trademarks has been resolved. It is therefore in the interests of justice to reverse the bifurcation order, so that this default judgment motion can address both liability and quantification issues. My Judgment will so provide.

B. *Are the Defaulting Defendants in default in filing a notice of appearance or statement of defence within the time set out in the Rules?*

[15] The Plaintiff relies on the affidavit of Cai Cheng, a solicitor employed with the Plaintiff's counsel, who has reviewed and attaches proof of service upon the Defaulting Defendants of the Second Amended Statement of Claim and, in the case of parties who were added to the action at an earlier time, the First Amended Statement of Claim.

[16] Based on this evidence, I am satisfied that each of the Defaulting Defendants has been properly served in this action and has failed to file a Statement of Defence within the time required under the Rules. It is therefore appropriate to move to the next stage of the default judgment analysis, assessing whether the Plaintiff has adduced sufficient evidence to establish the claims asserted in the Second Amended Statement of Claim, in particular with respect to the following issues.

C. *Is the Plaintiff the sole and exclusive owner of the Dunn's Trademarks?*

[17] The Plaintiff relies on the affidavit of Elliot Kligman, the Plaintiff's President and sole shareholder, which speaks to the Plaintiff's corporate history and the history of the Dunn's Trademarks

and title thereto, with supporting exhibits. As the Plaintiff's counsel notes, there is no challenge to the ownership or validity of the marks. The Plaintiff's ownership has also been acknowledged in previous orders issued in this proceeding, albeit in the context of the consent of the Defendants to which those orders relate. Based on the foregoing, and in particular based on Mr. Kligman's evidence, I am satisfied that my Judgment should declare that the Plaintiff is the sole and exclusive owner of the Dunn's Trademarks.

- D. *Did the Defaulting Defendants use the Dunn's Trademarks without the Plaintiff's authorisation?*
- E. *Did the activities of the individual Defaulting Defendants engage their personal liability?*
- F. *Is the Plaintiff entitled to the relief listed in the Trademarks Act against the Defaulting Defendants?*
- G. *Did the Defaulting Defendants wilfully and deliberately cause trademark infringement, passing off, depreciation of goodwill, and false and misleading advertising?*

[18] I consider these four issues to involve related determinations. Based on the affidavit evidence of Mr. Kligman and the exhibits thereto, along with the Plaintiff's submissions, I am satisfied that the Defaulting Defendants have been involved in the use of the Dunn's Trademarks without the Plaintiff's authorisation and have deliberately engaged in activities causing trademark infringement, passing off, depreciation of goodwill, and false and misleading advertising. I do not consider such determinations in relation to the corporate Defendants to require any detailed analysis.

[19] However, one of the areas of concern that I raised with the Plaintiff's counsel at the hearing is the duration of actionable activity, as the duration affects the calculation of the Plaintiff's damages, in considering the Plaintiff's entitlement to the relief claimed.

[20] I also raised as an area of concern the question whether the nature of the individual Defendants' involvement with the corporate Defendants' use of the marks is such as would result in the individual Defendants' personal liability. As the Plaintiff submits, a corporate director can have personal liability for infringement of intellectual property rights, where there are circumstances from which it is reasonable to conclude that the purpose of the director was the deliberate, wilful and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifference to the risk of infringement (see *Mentmore Manufacturing Co. Ltd. v National Merchandise Manufacturing Co. Inc.* (1978), 89 DLR (3d) 195 (FCA) [*Mentmore*] at pp 204-205).

[21] I will consider the Plaintiff's evidence and argument on the personal liability question, in conjunction with the duration of actionable activity, in relation to the three groups of Defaulting Defendants identified in the Plaintiff's submissions (i.e., the Johnson Defendants, the Smith Defendants, and the Chang Defendants).

(1) Johnson Defendants

[22] With respect to the Johnson Defendants, corporate registration reports attached to Mr. Kligman's affidavit show that the corporate Defendant, 970, was registered on August 26, 2016, with the business name "DUNN'S FAMOUS" and business address 902 Shefford Road, Ottawa, Ontario. The Plaintiff asserts this date as the commencement of the actionable activity by 970. Another report shows Mr. Johnson as the sole director of 970.

[23] The Plaintiff's counsel wrote a "cease and desist" letter to 970, to the attention of Mr. Johnson, on September 30, 2016, asserting its trademarks rights. This led to a meeting between Mr. Johnson and Mr. Kligman in October 2016 and subsequent correspondence. In November 2016, Mr. Johnson sent Mr. Kligman photographs of the interior of the restaurant at 902 Shefford Road. Mr. Kligman has also visited those premises and attests to the accuracy of the photographs, which show infringing use of the Plaintiff's marks.

[24] The Plaintiff's evidence also includes an affidavit sworn by its comptroller, Elisa Kligman, which attaches records, obtained from a smoked meat supplier, showing sales of smoked meat from the supplier to 970 between September 2016 and July 2018. These records reference the customer as "(DUNNSHEF) Z-DUNN'S REST. (SHEFFORD)." These records also evidence sales between July 2018 and September 2019 to a customer referenced as "DUNNOTTA 2648240 ONTARIO INC. (SHEFFORD)". Ms. Kligman states in her affidavit that she does not know the reason for the change in corporate entity as of July 2018. Based on these records, the Plaintiff argues that the evidence demonstrates that activity actionable under the *Trademarks Act* took place for approximately two years, from August 2016 to July 2018.

[25] I am satisfied that the evidence, including the photographs, demonstrates actionable activity between August and November of 2016 (when Mr. Johnson sent Mr. Kligman the photographs). However, following that date, the only evidence the Plaintiff offers is the manner in which 970's supplier references its customer in what appear to be its internal sales records. At the hearing of this motion, I raised concern about the probative value of this evidence in demonstrating ongoing infringing use.

[26] The Plaintiff argues that, had the Johnson Defendants participated in this proceeding, and if the infringement had stopped at some time after November 2016, the Johnson Defendants could have presented evidence to demonstrate the termination of infringement at that time. The Plaintiff also argues that the failure of the Johnson Defendants to participate has inhibited its ability to gather evidence of infringement.

[27] I do not find these arguments compelling. On a default judgment motion, the Plaintiff bears the burden of adducing evidence to establish its claim. It is sometimes the case that a claimant in the Plaintiff's position will introduce photographic evidence of continued use of the marks at issue over a period of time. Indeed, the Plaintiff relies on such photographic evidence of infringement near the beginning of the alleged period of infringement, but it offers no comparable evidence for later periods. In my view, the evidence establishes actionable activity by 970 from August to November of 2016. It may well be that actionable activity continued for the period that the Plaintiff alleges, but the Court does not have evidence to support that determination.

[28] The Plaintiff claims \$200,000.00 in damages against the Johnson Defendants under the *Trademarks Act*. It calculates that figure based on evidence in Ms. Kligman's affidavit as to: (a) the average franchise fee of \$50,000.00 typically payable to the Plaintiff upon execution of a franchise agreement; and (b) the range of annual royalties per restaurant typically payable to the Plaintiff, based on which it asserts a conservative claim of \$50,000.00 per year of operation. The Plaintiff calculates its claim of \$200,000.00 based on \$50,000.00 for each of three years of operation at the Shefford Road location, plus the \$50,000.00 franchise fee.

[29] I consider the evidence to support the Plaintiff's figures, with the exception of the duration of actionable activity at Shefford Road. I have found evidence of only four months of such activity, which translates into damages payable by 970 of \$16,666.66 (i.e., \$50,000.00 x 4/12) plus the \$50,000.00 franchise fee, for a total of \$66,666.66.

[30] Turning to Mr. Johnson, I recognize that he is (or was) the director of 970 and that he was put on notice of the Plaintiff's allegations on September 30, 2016. But, given that the evidence establishes only a short period of activity following that notice, I would have difficulty concluding, based on that evidence alone, that he should face personal liability for the infringement by 970.

[31] However, the Plaintiff has also adduced evidence establishing additional involvement by Mr. Johnson in the broader pattern of infringing activities conducted by the Defendants in this matter. That involvement includes activities in conjunction with the Chang Defendants, subsequent to the opening of the Shefford Road operation. I will come to those activities later in these Reasons. More significantly, for purposes of assessing his liability for the actionable activities of 970, there is evidence that Mr. Johnson was also involved in the affairs of the Devine Defendants as early as 2007.

[32] Mr. Kingman's affidavit attaches a License Agreement dated December 5, 2007, between Ina Devine and 2153742 Ontario Inc. [215], purporting to license 215 to use the business name "Dunn's" and related names and styles in connection with the operation of a delicatessen restaurant business at 355 Dalhousie St, Ottawa, Ontario [the 215 License Agreement]. Mr. Johnson's name appears as the signatory to this agreement, on behalf of 215, in the capacity of President. Mr. Kligman's affidavit also

attaches a Corporation Profile Report, dated December 2016, identifying Mr. Johnson as Director and President of 215, as well as identifying Ina Devine as Director and Vice-President.

[33] As previously noted, the Devine Defendants (including Iva Devine) consented to judgment against them at an earlier stage in this proceeding. The Order of Associate Chief Justice Gagné, dated October 17, 2019, implementing that consent judgement, references in the recitals an acknowledgment by the Devine Defendants that various agreements, including the 215 License Agreement, were concluded without right and are invalid because the alleged owner did not own the licensed marks upon entering the agreements.

[34] As such, the evidence demonstrates that Mr. Johnson was involved in entering into an invalid license agreement with Ina Devine almost a decade before the 2016 infringement by 970. Moreover, both he and Mr. Devine were officers and directors of the corporate licensee. This fact militates against a conclusion that Mr. Johnson was an innocent participant misled by Mr. Devine. I am satisfied, based on his past involvement in the activities of the Devine Defendants, that the *Mentmore* test is met in connection with Mr. Johnson's subsequent involvement in the operation of 970 in 2016. He therefore has personal liability for the \$66,666.66 in damages awarded against 970 under the *Trademarks Act*. My Judgment will impose joint liability in that amount upon 970 and Mr. Johnson, in connection with the Shefford Road location.

(2) Smith Defendants

[35] In relation to 247 and the location operated at 5-1460 Merivale Road, Ottawa, Ontario, Mr. Kligman's affidavit attaches a cease and desist letter sent to 247, to Mr. Smith's attention, on

December 9, 2015. He also attaches a Business Names Report for 247 dated June 22, 2016, showing the business name “DUNN’S FAMOUS” registered to 247 as of November 20, 2015, in connection with a restaurant business at the Merivale Road address. The Plaintiff also caused a second cease and desist letter to be sent to 247, again to Mr. Smith’s attention, on September 30, 2016.

[36] The Plaintiff asserts that the Smith Defendants conducted infringing activities from November 2015 until 2018. In support thereof, Ms. Kligman’s affidavit attaches copies of the financial statements of 247 for the years 2015 to 2018. Throughout these years, the financial statements bear the name “Dunn’s Famous Deli and Steakhouse”.

[37] This is not direct evidence of 247’s use of the Dunn’s Trademarks, within the meaning of s 4 of the *Trademarks Act*. However, unlike the third party supplier’s records offered by the Plaintiff as evidence of ongoing infringement by the Johnson Defendants, the financial statements upon which the Plaintiff relies to prove its claim against 247 are business records of the Defendant itself. I am prepared to infer that 247 operated under the business name reflected in this evidence, in a manner which represented trademark use infringing the Dunn’s Trademarks and otherwise constituted actionable activity under the *Trademarks Act*, through the period of the financial statements from November 2015 to December 2018.

[38] In relation to the Smith Defendants, because it has the benefits of 247’s financial statements, the Plaintiff calculates its damages claim on a different basis than described above in connection with the Johnson Defendants. Ms. Kligman’s affidavit explains that the royalties paid

by a franchisee of the Plaintiff, in addition to the initial \$50,000.00 franchise fee, are typically 5% of the franchisee's net revenues. Applying that formula to the Plaintiff's financial statements, and adding the initial \$50,000.00 fee, translates into a claim of \$163,894.33. I am prepared to award damages under the *Trademarks Act* in that amount against 247.

[39] I am also satisfied that Mr. Smith should bear personal liability for such damages. A Corporation Profile Report dated December 20, 2016, identifies him as the sole director and officer of the company since July 2015. He is therefore clearly its directing mind. Mr. Smith was also put on notice of the Plaintiff's allegations in December 2015, less than a month after the beginning of 247's operations, and he was reminded of those allegations in September 2016. However the infringing activities continued. In my view, the *Mentmore* test is met. My Judgment will impose joint liability in the amount of \$163,894.33 upon 247 and Mr. Smith, in connection with the Merivale Road location.

(3) Chang Defendants

[40] Recall that the Chang Defendants are comprised of two corporations and four individuals, including Mr. Chang who the Plaintiff characterizes as involved in a particularly active manner with the business operations of the Devine Defendants. There are three restaurant locations that the Plaintiff asserts give rise to liability on the part of the Chang Defendants.

[41] In relation to each of these locations, the Plaintiff relies significantly on information contained in a submission, dated February 22, 2019, filed on behalf of Mr. Chang in a Uniform Domain-Name Dispute-Resolution Policy [UDRP] proceeding initiated by the Plaintiff in

January 2019 [the UDRP Submission]. That submission states that, in December 2017, Mr. Chang, on behalf of 052, entered into a Master Franchise Agreement with Ina and Stanley Devine [the Master Franchise Agreement], who are described as owning the exclusive right to operate Dunn's restaurant franchises in Ontario. The UDRP Submission also identifies the following three restaurant locations opened and/or sub-franchised by Mr. Chang in Ontario:

- A. The Trim Road location in the Orléans borough of Ottawa, which opened in March 2018;
- B. The Danforth Avenue location in Toronto, which opened in October 2018;
and
- C. The Carling Avenue location in Ottawa, which opened in February 2019.

[42] I will structure this portion of my analysis around each of the individual locations.

(4) Trim Road

[43] The Plaintiff's evidence includes a Lease Assignment Agreement, dated August 2018, which demonstrates assignment of the lease of the Trim Road premises, by 052 to 087, effective as of July 1, 2018. The Plaintiff has also provided an undated photograph, showing the exterior of this location displaying an infringing mark, and an undated screenshot from a Google search related to this location, displaying the name "Dunn's Express".

[44] The only evidence of the duration of operation of the Trim Road location is the UDRP Submission, which is dated February 22, 2019 and states this location opened in March 2018. I

consider it reasonable to infer that this location remained in operation as of the date of the UDRP Submission, representing approximately one year of actionable activity. The Plaintiff claims \$150,000.00 in damages under the *Trademarks Act*, composed of the initial \$50,000.00 franchise fee (as described above in connection with the damages claim against the Johnson Defendants) plus \$50,000.00 in typical annual royalty revenues for each of two years of operation. As I have found only one year of actionable activity, I calculate damages under the *Trademarks Act*, in relation to the Trim Road location, in the amount of \$100,000.00.

[45] The remaining question, in relation to the operation at Trim Road, is which of the Chang Defendants should have liability therefor. The evidence is that 087 assumed the operation of that location effective July 1, 2018. It is therefore liable for 8 months of actionable activity (i.e. \$33,333.33 of the \$50,000.00 in annual royalty revenues), plus the \$50,000.00 initial fee, for damages under the *Trademarks Act* totalling \$83,333.33.

[46] The same evidence establishes that 052 operated Trim Road for 4 months before 087 assumed operation of that location. It is therefore liable for the first 4 months of actionable activity. However, I also accept the Plaintiff's position that, because of the role of 052 in sublicensing the infringing operations (evidenced by the UDRP Submission and the Master Franchise Agreement), 052 should be held jointly liable with 087 for the remaining 8 months. Before consideration of the liability of the individual Chang Defendants, this translates into 087 and 052 being jointly liable for \$83,333.33, and 052 being liable for the remaining \$16,666.67, in damages related to Trim Road.

[47] Turning to the individual Chang Defendants, I accept the Plaintiff's argument that Mr. Chang's involvement in the infringing activities is evidenced by the UDRP Submission. There is also additional evidence supporting this conclusion, including March 2018 correspondence to a representative of the Plaintiff in which Mr. Chang describes himself as the vendor for Dunn's franchises. Corporate reports indicate that Mr. Chang was a director of 052 from August 2017 to February 2018 and a director of 087 briefly in October 2017 and then again briefly in February 2018. Thereafter, in December 2018, Mr. Chang was still, in some capacity, signing corporate registration forms on behalf of 087.

[48] The evidence is that Mr. Chang was no longer a director of either 052 or 087 by the time of the infringing activity by those companies. Nevertheless, I am satisfied based on the totality of the evidence, and in particular the UDRP Submission, that he was complicit in the infringing operations at the Trim Road location and, applying the *Mentmore* test, should have personal liability therefor. This liability extends to the full \$100,000.00 in damages applicable to Trim Road.

[49] The corporate records indicate that Mr. Johnson was also a director of 052 from August 2017 to June 2018 and a director of 087 from October 2017 to January 2018, briefly in February 2018, and then again commencing in March 2018. It appears he ceased being a director by June 2018, as the records indicate that Mr. Ahmed was then the sole director. I have previously concluded that Mr. Johnson was involved with Ina Devine in invalid licensing arrangements as early as 2007. Combined with his role as a director of both 052 and 087 at least at some of the

relevant times, I am satisfied the *Mentmore* test is met, establishing his personal liability for the full \$100,000.00 in damages related to the Trim Road location.

[50] Mr. Gobuyan's name first appears in the evidence as a director of 087 commencing March 2018, which the Plaintiff notes coincides with the commencement of the operation of the Trim Road restaurant by 087. He does not appear to have been a director of 052, the corporation involved in the unauthorized sub-franchising operation. In my view, those facts alone would not be sufficient to fix him with personal liability. However, Mr. Kligman's affidavit also attaches January 7, 2019 printouts from a website, described as created by Tim Chang under the domain name dunnsexpress.co, which purported to sell Dunn's franchises in Canada. These printouts identify not only Mr. Chang and Mr. Johnson, but also Mr. Gobuyan, as contact persons in connection with such franchise opportunities. In my view, this evidence establishes personal involvement by Mr. Gobuyan sufficient to meet the *Mentmore* test and impose personal liability, again for the full \$100,000.00 in damages, related to the Trim Road location.

[51] The final individual Defendant is Mr. Ahmed, indicated in the corporate records to be the sole director of 052 as of June 2018. The Plaintiff argues that, because 052 is the party to the Master License Agreement and was the vehicle for the unauthorised sub-franchising to 087, Mr. Ahmed's role as director of 052 should be sufficient to fix him with personal liability.

[52] Mr. Ahmed's role as director post-dates the commencement of the Trim Road operation in March 2018. On the other hand, the period for which I have found 052 jointly and severally liable with 087, based on its role in sub-franchising that operation, extends to February 2019 and

therefore into the period when Mr. Ahmed was the sole director. However, there is no evidence of exactly when 052 took steps purporting to sub-franchise that operation, and I find no basis to infer that such steps took place or continued after Mr. Ahmed assumed his role. There is therefore insufficient evidence to link him to the sub-franchising of that operation, and I decline to impose upon him personal liability related to the Trim Road location.

[53] In summary, in relation to Trim Road, my Judgement will award: (a) damages of \$83,333.33, jointly payable by 052, 087, Mr. Chang, Mr. Johnson and Mr. Gobuyan; plus (b) damages of \$16,666.67 jointly payable by 052, Mr. Chang, Mr. Johnson and Mr. Gobuyan.

(5) Danforth Avenue

[54] The UDRP Submission states that the operation at Danforth Avenue in Toronto commenced in October 2018 and that 052 is itself the operator of this location. As with Trim Road, the only evidence of the duration of the infringing activity is the timing of the UDRP Submission, describing this operation. The Court can reasonably infer that this location remained in operation in February 2019 when the submission was written, but there is no evidence of its operation after that date. I therefore find 5 months of infringement in connection with this location, for which 052 is liable.

[55] As with Trim Road, the Plaintiff claims \$150,000.00 in damages under the *Trademarks Act*, related to the Danforth Avenue operation. This figure is composed of the initial \$50,000.00 franchise fee plus \$50,000.00 in typical annual royalty revenues for each of two years of operation. As I have found only 5 months of actionable activity, I calculate damages payable by

052, related to Danforth Avenue, in the amount of \$20,833.33 (i.e., \$50,000.00 x 5/12) plus the \$50,000.00 franchise fee, for a total of \$70,833.33.

[56] There is no basis to conclude that 087 was involved with the Danforth Avenue location, and I find no liability on its part for this location.

[57] My analysis of the personal liability of Mr. Chang for the Danforth Avenue operation is largely the same as in relation to Trim Road. While the evidence is that he was no longer a director of 052 by the time of the infringing activity by that company, I am satisfied based on the totality of the evidence, and in particular the UDRP Submission, that he was complicit in initiating the infringing operations at the Danforth Avenue location and, applying the *Mentmore* test, should have personal liability therefor.

[58] In relation to Mr. Johnson, it appears that he had ceased to be a director of 052 by the time Danforth Avenue opened. However, other evidence supports a conclusion that he remained involved in the unauthorized sub-franchising activity at least as recently as January 7, 2019, when Mr. Chang's website purported to sell Dunn's franchises and identified Mr. Johnson as one of the contact persons in connection with such franchise opportunities. Combined with the evidence of his previous involvement with Ina Devine in invalid licensing arrangements as early as 2007, I am satisfied the *Mentmore* test is met, establishing Mr. Johnson personal liability for the infringement at the Danforth Avenue location.

[59] As previously noted, the dunnsexpress.co website also identifies Mr. Gobuyan as a contact person in connection with such franchise opportunities. This evidence establishes personal involvement by Mr. Gobuyan in the unauthorized sub-franchising activity sufficient to meet the *Mentmore* test and impose personal liability upon him for the infringement at the Danforth Avenue location.

[60] With respect to Mr. Ahmed, the Plaintiff notes that he was the sole director of 052 when it commenced the infringing operation at Danforth Avenue in October 2018. However, I have found other individual Defendants personally liable based on more than just their roles as directors of the corporate Defendants. Those determinations have turned on evidence of personal involvement in the actionable activity and/or having previously been put on notice by the Plaintiff. There is no comparable evidence implicating Mr. Ahmed.

[61] I recognize that Mr. Ahmed became the sole director of 052, the company that was conducting the sub-franchising operation. However, similar to my earlier conclusion in connection with the Trim Road location, there is no evidence of exactly when 052 took steps in connection with its sub-franchising activities, and I find no basis to infer that such steps took place or continued after he assumed his role. The Master Licence Agreement was executed by 052 before he became a director and, although the UDRP Submission post-dates the beginning of his role as a director, it does not state when the sub-franchising arrangements for any of the Trim Road, Danforth Avenue, or Carling Avenue locations were entered into.

[62] In my view, there is insufficient evidence to satisfy the *Mentmore* test and impose personal liability upon Mr. Ahmed in relation to the Danforth Avenue location.

[63] In summary, in relation to Danforth Avenue, my Judgment will award damages of \$70,833.33, jointly payable by 052, Mr. Chang, Mr. Johnson and Mr. Gobuyan.

(6) Carling Avenue

[64] In relation to the Carling Avenue location, the Plaintiff offers an additional piece of evidence, again as an exhibit to Mr. Kligman's affidavit, in the form of a Solemn Declaration sworn by one of the individuals involved in the operation at that location [the Solemn Declaration]. Mark Pio Fernandez, an officer and director of 11185845 Canada Inc. [845], swore the Solemn Declaration on March 19, 2020, stating that, from January 8, 2019 to February 28, 2020, 845 employed certain of the Dunn's Trademarks in association with the operation of a restaurant at the Carling Avenue location.

[65] Based on this approximately one year of operation, the Plaintiff claims \$100,000.00 in damages under the *Trademarks Act*, related to the Carling Avenue location. This figure is composed of the initial \$50,000.00 franchise fee plus \$50,000.00 in typical annual royalty revenues for the one year of operation. I accept this figure in relation to this location.

[66] The Solemn Declaration also states that 845 employed the Dunn's Trademarks in connection with the Carling Avenue operation as a result of a Sub-Franchise Agreement made on January 8, 2019, between 845 and 087, represented by Mr. Gobuyan and Mr. Chang. This

evidence directly implicates 087, Mr. Gobuyan, and Mr. Chang in the liability for this operation and indirectly implicates 052 because of its role as the master franchisor.

[67] Mr. Johnson is not implicated by the evidence in the Solemn Declaration. Also, as previously noted, it appears that he had ceased to be a director of 052 by the time Carling Avenue opened. However, as with the analysis related to Danforth Avenue, other evidence supports a conclusion that he remained involved in the unauthorized sub-franchising activity at least as recently as January 7, 2019, when Mr. Chang's website purported to sell Dunn's franchises and identified Mr. Johnson as one of the contact persons in connection with such franchise opportunities.

[68] The Sub-Franchise Agreement between 845 and 087 was executed on January 8, 2019, the day after the Plaintiff took the screenshot of Mr. Chang's website that evidences Mr. Johnson's continued involvement in the unauthorized franchising activities. Combined with the evidence of his previous involvement with Ina Devine in invalid licensing arrangements as early as 2007, my view is that Mr. Johnson cannot escape personal liability as a result of that one day gap in the evidence. I am satisfied the *Mentmore* test is met, establishing Mr. Johnson personal liability for the infringement at the Carling Avenue location.

[69] Finally, with respect to Mr. Ahmed, my analysis is similar to my assessment of his liability in relation to the other locations in which 052 is implicated. While Mr. Ahmed became the sole director of the company (052) that was conducting the sub-franchising operation, there is no evidence of exactly when 052 took steps in connection with its sub-franchising activities, and

I find no basis to infer that such steps took place or continued after he assumed his role. While the Solemn Declaration establishes that 087 entered into the Sub-Franchise Agreement with 845 on January 8, 2019, there is no evidence as to when 052 entered into the agreement with 087 authorizing that sub-franchising.

[70] In my view, as with the other locations, there is insufficient evidence to satisfy the *Mentmore* test and impose personal liability upon Mr. Ahmed in relation to the Carling Avenue location.

[71] In summary, in relation to Carling Avenue, my Judgment will award damages of \$100,000.00, jointly payable by 052, 087, Mr. Chang, Mr. Johnson and Mr. Gobuyan.

(7) Delivery Up of Domain Name Registrations

[72] There remains one other question, related to the set of issues currently under consideration, about which I expressed concern during the hearing of this motion. The relief requested by the Plaintiff includes an order enjoining the Defaulting Defendants from further actionable activity and requiring delivery up to the Plaintiff of all items offending that injunction.

The draft “delivery up” paragraph proposed by the Plaintiff reads as follows:

The Defaulting Defendants and the officers, directors, employees, agents, related business entities and all those over whom they exercise control, shall immediately recall and deliver up to Plaintiff all wares, packaging, labeling, documents and any and all other items in the possession, custody or control of the Defaulting Defendant which offend against the above injunction and provide evidence thereof, including any domain name registration using any of the terms “DUNN’S”, “FAMOUS” or “EXPRESS”;

[My emphasis]

[73] At the hearing, I raised concern that the last two lines (emphasized above), related to delivery up of domain name registrations, did not form part of the relief claimed in the Second Amended Statement of Claim. The relevant paragraph in the Second Amended Statement of Claim requests that the Court:

ORDER the Defendants to recall and deliver up to the Plaintiff all wares, packaging, labeling, documents and any and all other items in the possession, custody or control of the Defendants which offend in any way against any order which may be made herein [...];

[74] The wording of the paragraph now proposed by the Plaintiff varies in several respects from the above language in the Second Amended Statement of Claim. However, I do not consider those variations material, other than possibly the addition of the language expressly requiring delivery up of domain name registrations using certain terms. The concern I raised with the Plaintiff's counsel was that the Defaulting Defendants had not received notice that the Plaintiff would be taking the position in this proceeding that domain registrations using certain terms should be delivered up. The Defaulting Defendants have not been served with the Plaintiff's Motion Record. The Plaintiff brought this motion on an *ex parte* basis, as it is entitled to do, but the effect of this process is that the Defaulting Defendants have not received notice of the particular language proposed by the Plaintiff for its "delivery up" paragraph.

[75] In response to this concern, the Plaintiff's counsel argued that the Chang Defendants are aware of its position, because the Plaintiff asserted this position in the UDRP proceeding. The Plaintiff's counsel explained that delivery up of domain names is a significant point for the Plaintiff, as it fears the Chang Defendants will employ this mechanism in the future to further infringe the Plaintiff's rights. While I respect the Plaintiff's concern, the fact that the Chang

Defendants may have been aware of the Plaintiff's position on this issue through participation in another proceeding does not assist the Plaintiff.

[76] However, the Plaintiff's counsel also notes that the Second Amended Statement of Claim does contain allegations of infringement of the Dunn's Trademarks related to the Chang Defendants' use of the domain name "dunnsexpress.co". Mr. Kligman's affidavit provides evidence in support of this allegation, explaining that Mr. Chang created a website under the domain name "dunnsexpress.co", which purported to sell Dunn's franchises in Canada. Mr. Kligman's affidavit attaches a screen capture of this website. He also states that the website contained reproductions of the Plaintiff's designs, logos and word-for-word reproductions of the questions from the Plaintiff's website's FAQ under the "Franchising" section. Excerpts from both websites, dating from January 7, 2019, are attached to support this evidence.

[77] I am still not convinced that my Judgment should identify for delivery up the particular and somewhat arbitrary formulations of domain name registrations, as proposed in the Plaintiff's draft language. However, having considered the Second Amended Statement of Claim in its entirety, along with Mr. Kligman's evidence, I am satisfied that it is appropriate to specifically order delivery up of the domain name registration for "dunnsexpress.co" and any other domain name registration that offends the injunction in my Judgment. The domain name registration is an example of the types of items for which delivery up was sought under the more generic relief language in the Second Amended Statement of Claim, and the Second Amended Statement of Claim includes allegations surrounding infringement through the domain name registration. I am

therefore satisfied that no procedural fairness concern arises and, as the evidence supports these allegations, the more specific relief is appropriate.

H. *Did 087, 052, Mr. Chang, Mr. Ahmed, and Mr. Gobuyan engage in the illegal reproduction of the Plaintiff's webpages hosted on dunnsfamous.com on their website dunnsexpress.co?*

[78] The Plaintiff frames this issue in terms of whether the specified Defaulting Defendants reproduced certain of the Plaintiff's webpages. They raise this issue specifically in relation to the Plaintiff's logo and the structure of the Plaintiff's website, including the FAQ questions in the Franchising section of the website. The Plaintiff alleges that the Defaulting Defendants reproduced this material on their own website and that such reproduction constitutes copyright infringement pursuant to s 27(1) of the *Copyright Act*. The Plaintiff claims damages under the *Copyright Act* including exemplary and punitive damages.

[79] At the hearing of the motion, I advised counsel that I was concerned about whether the Plaintiff had adduced evidence sufficient to establish its ownership of the copyright in the logo or the relevant portions of its website. I drew to counsel's attention the decision in *Milano Pizza Ltd v 6034799 Canada Inc*, 2018 FC 1112 [*Milano Pizza*], which addressed a similar issue in the context of a motion for summary judgment (at paras 136 to 154). In *Milano Pizza*, Justice Mactavish dismissed the plaintiff's claim for copyright infringement of its logo and, to the extent it was being asserted, its menus, because the plaintiff had failed to adduce sufficient evidence surrounding the creation and authorship of the logo and menu to establish that it was the holder of copyright therein.

[80] In response, the Plaintiff's counsel referred the Court to Mr. Kligman's evidence that, as noted above, attested to the website created by Mr. Chang containing reproductions of the Plaintiff's designs, logos, and word-for-word reproductions of questions from the Plaintiff's FAQ. Counsel emphasized in particular Mr. Kligman's use of the word "our" in referencing the designs, logos and website.

[81] In my view, this evidence fall significantly short of what is required to establish that the Plaintiff is either the author of this material, and therefore the holder of the copyright therein, or the copyright holder by virtue of assignment by whoever was the author. The Plaintiff has the obligation on a default judgment motion to adduce the evidence necessary to establish its claim, and I find it has failed to do so in relation to its claim under the *Copyright Act*.

I. *Is the Plaintiff entitled to seek the costs of this action against the Defaulting Defendants?*

[82] The Plaintiff seeks costs of this action against the Defaulting Defendants, assessed under Column V of Tariff B. As the Defaulting Defendants' liability arises from actionable activity of a deliberate nature, I am satisfied that such an award is appropriate. My Judgment will so provide.

V. **Conclusion**

[83] The form of my Judgment is fashioned after the draft order proposed by the Plaintiff, modified to reflect these Reasons and otherwise as considered necessary by the Court.

[84] With respect to pre-judgment and post-judgment interest, the draft order proposes no particular calculation, other than that the calculation begin as of the date each respective

Defaulting Defendant was joined to this proceeding, and be on a semi-annual compounded basis.

In the absence of any substantive submissions in support of the calculation of interest, I award simple pre-judgment interest calculated at a rate of 5% per annum. I accept the method of identifying when the calculation of pre-judgment interest should begin. Post-judgment interest will of course run from the date of judgment, again at a rate of 5% per annum.

JUDGMENT IN T-1397-16

THIS COURT’S JUDGMENT is that:

1. The Plaintiff’s *ex parte* motion for default judgment is granted in part.
2. The bifurcation of this action, pursuant to the Order dated September 13, 2017, is reversed.
3. The Plaintiff is declared the sole and exclusive owner of:
 - a. the Canadian registered trademarks TMA724,615 “DUNNS FAMOUS & DESIGN”; TMA1075279 “DUNN’S FAMOUS & DESIGN”; TMA1075280 “DUNN’S EST. 1927 & DESIGN”; and TMA1024058 “DUNN’S EXPRESS & DESIGN”;
 - b. the trademark application numbers APP1945271 “DUNN’s”; and APP1945272 “DUNN’S FAMOUS”;
 - c. the trade names “Dunn’s Famous Delicatessen”; “Restaurant Dunn’s Famous”; and “Dunn’s Famous Smoked Meat”; and
 - d. all rights having accrued under the *Trademarks Act*, RSC 1985, c T-13, as well as all corresponding common law rights, in connection with the expunged trademarks TMA357,531 “DUNN’S FAMOUS SMOKED MEAT SHOPPES”; and TMA360,232 “DUNN’s FAMOUS & DESIGN” [together, the Dunn’s Trademarks].

4. The Defendants, 9702938 Canada Inc., Gray Johnson, 2474234 Ontario Inc.,
Moishe Smith, Tim Long Chang, Ripon Ahmed, Vincent Gobuyan, 10199087
Canada Corporation and 10199052 Canada Ltd. [the Defaulting Defendants]
and the officers, directors, employees, and agents of 10199087 Canada
Corporation, 10199052 Canada Ltd., 9702938 Canada Inc. and 2474234
Ontario Inc., related business entities, and all those over whom they exercise
control, are hereby forthwith prohibited and restrained permanently from:
 - a. any and all use of the Dunn's Trademarks or any trademark or
tradename confusingly similar to the Dunn's Trademarks as a
trademark, trade name, or otherwise in association with their business,
wares or goods;
 - b. directing public attention to the Defaulting Defendants' wares,
services, and business in such a manner as to cause confusion between
the Defaulting Defendants' wares, services and business and the
wares, services and business of the Plaintiff, through the use of the
Dunn's Trademarks;
 - c. depreciating, in any way, the goodwill in and to the Dunn's
Trademarks; and
 - d. making any false or misleading statements, or bringing the public's
attention to the Dunn's Trademarks in any way likely to suggest an

association between the Plaintiff's goods and services and those of the Defaulting Defendants.

5. The Defaulting Defendants and the officers, directors, employees, agents, related business entities and all those over whom they exercise control, shall immediately recall and deliver up to the Plaintiff all wares, packaging, labeling, documents and any and all other items in the possession, custody or control of the Defaulting Defendant which offend against the above injunction and provide evidence thereof, including the domain name registration for "dunnsexpress.co" and any other offending domain name registration.
6. The Master Franchise Agreement, made among *inter alia* the Defendants, Ina Devine and 10199052 Canada Ltd., in December 2017, its amendments, as well as any other agreement pertaining to the use or ownership of the Dunn's Trademarks, between the Defaulting Defendants and third parties, is declared to have been concluded without right and to be invalid, because the alleged owner did not own the licensed Dunn's Trademarks upon entering the agreements.
7. The Defendants, 9702938 Canada Inc. and Gray Johnson, shall pay, jointly, the amount of \$66,666.66 to the Plaintiff, for the infringement, passing off and dilution of goodwill of the Dunn's Trademarks.
8. The Defendants, 2474234 Ontario Inc. and Moishe Smith, shall pay, jointly, the amount of \$163,894.33 to the Plaintiff, for the infringement, passing off and dilution of goodwill of the Dunn's Trademarks.

9. The Defendants Tim Long Chang, Vincent Gobuyan, Gray Johnson, 10199087 Canada Corporation, and 10199052 Canada Ltd., shall pay, jointly, the amount of \$183,333.33 to the Plaintiff, for the infringement, passing off and dilution of goodwill of the Dunn's Trademarks.
10. The Defendants Tim Long Chang, Vincent Gobuyan, Gray Johnson, and 10199052 Canada Ltd., shall pay, jointly, the amount of \$87,500.00 to the Plaintiff, for the infringement, passing off and dilution of goodwill of the Dunn's Trademarks.
11. The Plaintiff's claims under the *Copyright Act*, RSC 1985, c C-42, are dismissed.
12. Pre-judgment interest on the foregoing damages shall be calculated as of the date each respective Defaulting Defendant was joined to this proceeding, calculated at a rate of 5% per annum. Post-judgment interest shall also be calculated at a rate of 5% per annum.
13. The Plaintiff is awarded costs of this action against the Defaulting Defendants, to be assessed under Column V of Tariff B.

"Richard F. Southcott"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-1397-16

STYLE OF CAUSE: DUNN'S FAMOUS INTERNATIONAL HOLDINGS
INC. v INA DEVINE, STANLEY DEVINE, 1222187
ONTARIO LIMITED, 1924599 ONTARIO INC.,
2189944 ONTARIO INC., 9702938 CANADA INC.,
GRAY JOHNSON, 2474234 ONTARIO INC., MOISHE
SMITH
TIM LONG CHANG, RIPON AHMED, VINCENT
GOBUYAN, 10199087 CANADA CORPORATION
10199052 CANADA LTD.

and between

INA DEVINE, STANLEY DEVINE, 1222187 ONTARIO
LIMITED, 1924599 ONTARIO INC., 2189944
ONTARIO INC. v DUNN'S FAMOUS
INTERNATIONAL HOLDINGS INC., PLACEMENT
ISB INC., ELLIOT KLIGMAN

PLACE OF HEARING: HELD VIA VIDEOCONFERENCE AT OTTAWA,
ONTARIO

DATE OF HEARING: DECEMBER 20, 2020

JUDGMENT AND REASONS: SOUTHCOTT J.

DATED: JANUARY 19, 2021

APPEARANCES:

Me Michael Chevalier

FOR THE PLAINTIFF

SOLICITORS OF RECORD:

Pinto Légal
Montreal, Quebec

FOR THE PLAINTIFF

Jacob Rothman
Montreal, Quebec

FOR THE DEFENDANTS