

Federal Court



Cour fédérale

Date: 20220214

Docket: T-420-21

Citation: 2022 FC 194

Ottawa, Ontario, February 14, 2022

PRESENT: Mr. Justice Sébastien Grammond

BETWEEN:

LULULEMON ATHLETICA CANADA INC.

Plaintiff

and

**KATELYN DAWN CAMPBELL
AKA KATELYN CAMPBELL
AKA KATIE CAMPBELL
AKA KATELYN DAWN; CRYSTAL
MUNRO AKA CRYSTAL GAIL JOEY
MUNRO; KATEY-LYNN JOSIE MISENER;
AND LEANNE ANTHONY AKA LEANNE
TAYLOR**

Defendants

JUDGMENT AND REASONS

[1] Lululemon is suing Ms. Campbell for infringing its trademarks by selling counterfeit merchandise. It brings a motion for summary trial, which Ms. Campbell does not oppose.

[2] I am granting judgment in favour of lululemon. The evidence of infringement is overwhelming. Based on a modified version of this Court’s method for awarding lump sum damages, I am awarding lululemon \$8,000 in compensatory damages, as well as \$30,000 in punitive damages. I am issuing an injunction, although on more precise terms than those requested by lululemon.

I. Background

[3] The plaintiff, lululemon athletica Canada inc [lululemon], is a manufacturer and distributor of athletic and yoga wear. It sells its products in its own stores across Canada, through its website and through other retailers. It is the owner of certain registered trademarks, listed in schedule A to this judgment, and uses them to identify its products. These trademarks include the word marks “lululemon” and “lululemon athletica” as well as the “wave” design mark, depicted below:



[4] From at least October 2019 to March 2021, the defendant, Ms. Campbell, operated Facebook pages through which she sold counterfeit lululemon merchandise. She regularly posted messages offering specific items, on condition that she received a sufficient number of orders before a specified date. Followers of the page were invited to indicate their interest and to send their payment by electronic transfer to Ms. Campbell. Upon the closing date of the offer, Ms. Campbell ordered the merchandise from a Chinese supplier, through various electronic means of

communication and payment. The merchandise was sent to her home. She then invited the purchasers to come to her home to pick up the merchandise. In some cases, arrangements were made for delivery at the purchaser's home.

[5] At various times, Ms. Campbell was assisted by the other defendants, Ms. Munro, Ms. Misener and Ms. Anthony. Each of them made their own posts on the Facebook page. They handled the communications with the purchasers and made arrangements for delivery. However, purchasers paid Ms. Campbell directly, who would then share the profits with her associates.

[6] Ms. Campbell's activities came to lululemon's attention. As a result of investigations conducted in the fall of 2019, lululemon delivered a cease and desist letter to Ms. Campbell on March 31, 2020. In September 2020, lululemon became aware that Ms. Campbell had opened a new Facebook page offering counterfeit lululemon merchandise for sale. In January 2021, an investigator retained by lululemon placed an order for counterfeit merchandise. On February 1, 2021, the investigator was informed that the merchandise was available for picking up on the doorstep of Ms. Campbell's residence. He proceeded to pick up the merchandise, which was found not to be genuine. A second cease and desist letter was delivered to Ms. Campbell on the same day.

[7] Lululemon began the present action on March 5, 2021. Both before and after that date, lululemon's lawyers had discussions with Ms. Campbell and the other defendants. In particular, on February 5, 2021, Ms. Campbell represented that the Facebook page had been deleted and that she had ceased her activities. She provided certain bank statements, but declared that she did

not keep any other records. It appears that despite her assurances, Ms. Campbell kept selling counterfeit merchandise through different, private Facebook pages in February and March 2021. Ms. Campbell and Ms. Munro filed a statement of defence at the end of March.

[8] During the spring of 2021, lululemon settled with Ms. Munro, Ms. Misener and Ms. Anthony. Pursuant to the terms of the settlement, a consent judgment was issued against each of them. In July 2021, lululemon brought the present motion for summary trial against the remaining defendant, Ms. Campbell.

[9] To buttress its allegations of infringement, lululemon brings three types of evidence. First, it obtained sworn statements from Ms. Munro, Ms. Misener and Ms. Anthony. They explain how Ms. Campbell's business was operated. They also provide screen shots of their text message conversations with Ms. Campbell. Second, the investigators retained by lululemon provide details of their interactions with Ms. Campbell and her associates. Third, a law clerk at the office of lululemon's counsel became a follower of Ms. Campbell's Facebook pages and regularly took screenshots showing the posts offering for sale counterfeit lululemon merchandise.

[10] Although she initially engaged in discussions with lululemon's lawyers, Ms. Campbell has not responded to their inquiries or otherwise communicated with them since July 2021. While Ms. Campbell was served with the motion for summary trial and lululemon's motion record, she did not file a motion record in response. She did not appear at the summary trial hearing.

II. Summary Trial

[11] Although Ms. Campbell did not oppose the present motion, this is not a judgment by default, as she filed a statement of defence. Rather, lululemon is asking for a summary trial, pursuant to rule 216 of the *Federal Court Rules*, SOR/98-106. On a summary trial, the Court renders judgment on the basis of affidavit evidence, which may be subject to cross-examination out of Court.

[12] Rule 216(6) provides that the Court may render judgment following a summary trial if there is sufficient evidence and it would not be unjust to decide the issues on the motion.

Conflicts in the evidence, the amounts involved and the complexity of the matter are not bars to a summary trial. Justice Richard Boivin, then a member of this Court, summarized the factors to be taken into consideration when deciding whether a summary trial is appropriate in *Tremblay v Orio Canada Inc*, 2013 FC 109 at paragraph 24, [2014] 3 FCR 404:

In deciding whether a file lends itself to a summary trial, a judge may consider, among other things, the complexity of the matter, its urgency, the cost of taking the case forward to a conventional trial in relation to the amount involved [...], whether the litigation is extensive, whether the summary trial will take considerable time, whether credibility is a crucial factor, whether the summary trial will involve a substantial risk of wasting time and effort and whether the summary trial will result in litigating in slices [...].

[13] See also *Wenzel Downhole Tools Ltd v National-Oilwell Canada Ltd*, 2010 FC 966; *ViiV Healthcare Company v Gilead Sciences Canada, Inc*, 2021 FCA 122 at paragraph 38.

[14] Taking these factors into account, I am of the opinion that a summary trial is appropriate in the present case. The issues are not overly complex. Lululemon has led sufficient evidence. As Ms. Campbell is no longer participating in the proceedings, it is difficult to see what more evidence would be adduced at a full trial. Nothing turns on an issue of credibility that could only be resolved through a full trial. The summary trial pertains to all issues involving Ms. Campbell, so that no further proceedings will be required to dispose of the case. Moreover, a summary trial will lead to a quicker and less expensive resolution of the matter. Indeed, the Federal Court of Appeal noted that, “Cases like the present, involving ongoing sales of counterfeit goods by a defendant that seeks to put forward a specious defence, are particularly well-suited to being decided by way of summary trial”: *Kwan Lam v Chanel S de RL*, 2016 FCA 111 at paragraph 16 [*Kwan Lam*].

III. Infringement

[15] There is no doubt that Ms. Campbell’s actions have infringed lululemon’s trademarks and breached several provisions of the *Trademarks Act*, RSC 1985, c T-13 [the Act]. As this motion is not opposed, I will state my findings succinctly.

A. *Sections 19 and 20*

[16] Section 19 gives the holder of the trademark the exclusive right to use it in association with the goods for which it is registered. The evidence shows that the goods sold by Ms. Campbell bore the lululemon trademarks when they were delivered to the purchasers. This constitutes use, according to section 4 of the Act. Ms. Campbell thus breached section 19.

[17] Among other things, section 20 prohibits the importation, the advertisement or the sale of goods in association with a trademark that is confusing with a registered trademark. Ms. Campbell did all of this, as is amply demonstrated in the evidence of Ms. Munro, Ms. Misener, Ms. Anthony and the investigators. She imported counterfeit goods bearing the lululemon trademarks, by placing orders with a supplier in China. She advertised those goods on her Facebook pages. Some posts included pictures of the items advertised where the “wave” design mark can easily be seen. In other posts, the merchandise is described by words such as “lulu”, “L*LU” and “Lu*lu.” In my view, and taking into account the factors enumerated in subsection 6(5) of the Act, these words are intended to be confusing with the lululemon word mark, especially in the context of the sale of counterfeit goods. The lululemon word mark has acquired a distinctive character and the expressions used by Ms. Campbell sound exactly like the first part of the mark. Confusion is likely to follow, especially as the nature of the goods is the same. Lastly, Ms. Campbell sold goods bearing the lululemon trademarks.

[18] Moreover, text messages sent by Ms. Campbell to Ms. Munro, Ms. Misener, Ms. Anthony contain a detailed description of the *modus operandi* of the business. In her statement of defence, Ms. Campbell admits to the advertisement and importation of the goods, although, as we will see below, she disputes that this constitutes trademark infringement.

[19] Ms. Campbell did not oppose the present motion for summary trial. Nevertheless, for the sake of exhaustiveness, I consider two arguments she raised in her statement of defence.

[20] First, Ms. Campbell seems to argue that her business model does not make her responsible for the infringement of lululemon's trademarks. As she states:

The defendants are not responsible for the infringement of the Lulu lemon Trademark by only receiving orders and payments by the community to be placed through a application of the internet. [sic]

[21] Insofar as Ms. Campbell submits that she did not actually sell or import the goods, but simply facilitated a "group purchase," I disagree. She offered the goods for sale and received payment for them. The price she charged her customers included a mark-up over the price she paid her supplier in China. The end purchasers were not aware of the identity of the supplier. All things considered, this was a transaction between Ms. Campbell and the purchasers. Moreover, even if I were to accept the "group purchase" theory, Ms. Campbell nevertheless advertised the goods, contrary to section 20(1)(a) of the Act.

[22] Second, Ms. Campbell suggests that there was no infringement because the goods she sold were advertised as "high quality replicas." In an action for infringement, however, it is sufficient to prove that the defendant used the plaintiff's trademark. It is no defence to assert that the defendant added information intended to warn the consumer that the goods were not those of the plaintiff: *Meubles Domani's v Guccio Gucci SpA* (1992) 43 CPR (3d) 372 (FCA) at paragraph 15. Likewise, the addition of distinguishing features or designs is not a defence if the defendant uses the exact trademark or a confusing one: *Mr Submarine Ltd v Amandista Investments Ltd*, [1988] 3 FC 91 (CA) at 101 [*Mr Submarine*].

B. *Sections 7 and 22*

[23] Given that I found infringement under sections 19 and 20, it is not necessary to make additional findings regarding depreciation of goodwill (section 22) or passing off (section 7). Lululemon has provided very little in terms of evidence and submissions regarding the distinctive elements of these causes of action. In these circumstances, it would be hazardous to comment on these issues.

IV. Remedies

[24] Section 53.2 of the Act provides for remedies for the infringement of a trademark:

53.2 (1) If a court is satisfied, on application of any interested person, that any act has been done contrary to this Act, the court may make any order that it considers appropriate in the circumstances, including an order providing for relief by way of injunction and the recovery of damages or profits, for punitive damages and for the destruction or other disposition of any offending goods, packaging, labels and advertising material and of any equipment used to produce the goods, packaging, labels or advertising material.

53.2 (1) Lorsqu'il est convaincu, sur demande de toute personne intéressée, qu'un acte a été accompli contrairement à la présente loi, le tribunal peut rendre les ordonnances qu'il juge indiquées, notamment pour réparation par voie d'injonction ou par recouvrement de dommages-intérêts ou de profits, pour l'imposition de dommages punitifs, ou encore pour la disposition par destruction ou autrement des produits, emballages, étiquettes et matériel publicitaire contrevenant à la présente loi et de tout équipement employé pour produire ceux-ci.

[25] Lululemon is seeking declarations, an injunction, compensatory damages in the amount of \$83,000, punitive damages in an amount of at least \$100,000, as well as interest and solicitor-client costs. For the following reasons, I am granting an injunction, compensatory damages in the amount of \$8,000 and punitive damages in the amount of \$30,000, with interest and costs according to the tariff.

A. *Declarations*

[26] Lululemon is seeking several declarations affirming the ownership and validity of the registration of lululemon's trademarks and finding Ms. Campbell in breach of several provisions of the Act. In my view, this is unnecessary.

[27] The formal judgment usually contains the remedies issued by the Court. A declaration with respect to a finding of infringement is not a remedy. It may be a precondition for issuing a remedy; but then it should be expressed in the reasons, not in the formal judgment. Lululemon has not shown what practical benefit would be derived from a formal declaration. Yet, as the Supreme Court of Canada wrote in *Daniels v Canada (Indian Affairs and Northern Development)*, 2016 SCC 12 at paragraph 11, [2016] 1 SCR 99, "A declaration can only be granted if it will have practical utility."

[28] Judgments in intellectual property matters often contain declarations regarding the validity of a patent or trademark. However, this is usually a way of recording the outcome of a challenge to the validity of that patent or trademark. In this case, Ms. Campbell did not challenge the validity of lululemon's trademarks. As the matter was not litigated before me, it would be

improper to issue a declaration: *Louis Vuitton Malletier SA v Wang*, 2019 FC 1389 at paragraph 200 [*Wang*]. Moreover, I fail to see the utility of such a declaration, as it will not settle any controversy between the parties.

B. *Injunction*

[29] An injunction is an equitable, discretionary remedy: *Google Inc v Equustek Solutions Inc*, 2017 SCC 34 at paragraphs 22–23, [2017] 1 SCR 824. The conditions for granting a permanent injunction were analyzed by Chief Justice Green in *NunatuKavut Community Council Inc v Nalcor Energy*, 2014 NLCA 46 at paragraphs 46–72 [*NunatuKavut*]. Briefly, the plaintiff must prove a cause of action—in other words, that their rights have been infringed—that “there is a sufficient risk that the acts complained of will continue” (paragraph 56), that there is no effective alternative remedy and that other discretionary considerations do not militate against the granting of the injunction.

[30] This analytical method is not always adhered to in intellectual property matters. Rather, the usual practice is to issue an injunction as soon as there is proof of infringement: Kelly Gill and R. Scott Jolliffe, *Fox on Canadian Law of Trademarks and Unfair Competition*, Toronto, Thomson Reuters, electronic ed., at paragraphs 13:17-13:18. The rationale for the quasi-automatic issuance of an injunction is to save the plaintiff from the need to bring a new action if the defendant infringes again. Nevertheless, there is no reason why the common law approach should not be applied: David Vaver, *Intellectual Property Law*, 2nd edition, Irwin Law, 2011, at 617–624. For example, if the unlawful conduct ceased long ago, an injunction may not be

necessary: *Biofert Manufacturing Inc v Agrisol Manufacturing Inc*, 2020 FC 379 at paragraphs 245–247 [*Biofert*].

[31] In this case, there is no evidence that Ms. Campbell has continued to import, advertise or sell counterfeit lululemon merchandise since March 2021. However, she has a history of closing down Facebook pages and setting up new ones when she receives a cease and desist letter. She also kept selling merchandise after assuring lululemon that she would stop doing so. In her defence, she asserted that her business model did not break the law. In these circumstances, I am of the view that issuing an injunction is necessary, given that there is a sufficient risk of future harm.

[32] Once it has been determined that an injunction should issue, the attention turns to the terms of the order. In *Cambie Surgeries Corp v British Columbia (Medical Services Commission)*, 2010 BCCA 396 at paragraph 39, Justice Groberman gave a warning about issuing injunctions worded too broadly:

Unfortunately, it is common practice for parties to seek injunctions and similar orders in very broad terms, often parroting the language of a statute. A court should be cautious in adopting statutory language in an injunction. The purpose of a statute is to govern a wide variety of circumstances. Statutes are therefore often cast in broad terms, designed to cover all foreseeable eventualities. An injunction, on the other hand, should be tailored to an individual case. It is an extraordinary remedy, and anyone who infringes an injunction is subject to the possibility of being found in contempt of court. Injunctions must, of course, be drawn broadly enough to ensure that they will be effective. They should not, however, go beyond what is reasonably necessary to effect compliance.

[33] In *NunatuKavut*, at paragraph 71, Chief Justice Green echoed these concerns:

... it is common practice to seek injunctions in very broad terms, anticipating incidental events that might occur. An injunction-claimant should only be entitled to an injunction that is reasonably necessary to remedy the specific wrong that has been committed or threatened and to effect compliance with its intent - and no further. Thus, the wording of the injunction should be tailored to the specifics of the individual case, rather than relying on standard boilerplate. Otherwise, there will be a real risk that its remedial sweep will be overly broad. It is worth stressing again that an injunction is an extraordinary remedy with potentially serious consequences, in the form of a contempt order, for its non-observance.

[34] Here, the wording of the injunction sought by lululemon reproduces almost word-for-word certain sections of the Act, or employs broad concepts not specifically tied to the facts of the case. For example, lululemon requests an order enjoining Ms. Campbell from “further infringing the lululemon Trademarks.” Under such an order, any situation of trademark infringement between the parties would amount to contempt of court, whether it is related to the facts of this case or not. While there is no doubt that there is infringement in the present case, the proposed order would extend to other situations giving rise to a legitimate debate about infringement. Ms. Campbell would not know the extent of what she is prohibited from doing under pain of contempt.

[35] Therefore, I will be issuing an injunction enjoining Ms. Campbell from persisting in the conduct that I found in breach of lululemon’s rights. I will attempt to define this conduct in a manner that balances precision and fair notice, on the one hand, and the need to prevent avoidance, on the other hand.

C. *Compensatory Damages*

[36] Lululemon seeks compensatory damages calculated according to what it calls the “nominal damages” approach. It identifies nine instances of infringement by Ms. Campbell. It then multiplies this number by a fixed amount per infringement derived from this Court’s case law. On this basis, it claims a total amount of \$83,000.

(1) Method for Calculating Lump Sum Damages

[37] Over the last twenty years, this Court has often, but not always, awarded what I will call lump sum damages in trademark infringement cases involving counterfeit goods. The approach was summarized as follows in *Ragdoll Productions (UK) Ltd v Jane Doe*, 2002 FCT 918 at paragraph 35, [2003] 2 FC 120 [*Ragdoll*]:

In uncontested cases, plaintiffs have been awarded damages of \$3,000 in the case of street vendors and flea market operators, \$6,000 in the case of sales from fixed retail premises, and \$24,000 in the case of manufacturers and distributors.

[38] In later cases, these amounts have been multiplied by the number of instances of infringement or turnovers of inventory, and adjusted to take inflation into account.

[39] This approach is rooted in the general principle that the difficulty to assess damages with mathematical precision does not relieve the defendant from the obligation to compensate the plaintiff: *Penvidic Contracting Co v International Nickel Co of Canada*, [1976] 1 SCR 269 at 279–280; *101100002 Saskatchewan Ltd v Saskatoon Co-operative Association Limited*, 2022 SKCA 12 [*Saskatoon Co-op*]. Moreover, sellers of counterfeit goods should not benefit from

their own negligence in keeping proper records of their sales or their failure to collaborate in establishing the extent of the infringement. The use of this method was approved by the Federal Court of Appeal in *Kwan Lam*, at paragraphs 17–18.

[40] Such damages are often called “nominal damages.” However, as Justice Pelletier mentioned in *Ragdoll*, at paragraphs 49–50, this is not an accurate description. Nominal damages are awarded in the absence of any actual damage and are often limited to a very small sum: Stephen M. Waddams, *The Law of Damages*, Toronto, Thomson Reuters, electronic ed., paragraph 10.1. The owner of a trademark, in contrast, suffers actual damage from the sale of counterfeit goods. The difficulty is to assess the precise extent of the harm. Thus, I prefer to speak of lump sum damages.

[41] Lump sum damages awards, however, must be approached with caution. They do not relieve the plaintiff from its burden of proof. Nor do they relieve the Court from its duty to reach the best estimate of the harm suffered by the plaintiff. Lump sum damages can only be awarded where there is “some evidence on which it can be concluded that the claimant sustained damage and some evidence as to the nature of the damage”: *0867740 BC Ltd v Quails View Farm Inc*, 2014 BCCA 252 at paragraph 46; *Saskatoon Co-op*, at paragraph 23. The *Trademarks Act* does not contain a provision similar to section 38.1 of the *Copyright Act*, RSC 1985, c C-42, which provides that an infringer may be condemned to pay “statutory damages” without proof of actual damage.

[42] In *Wang*, my colleague Justice Yvan Roy reviewed the development of this Court’s case law on lump sum damages. While the plaintiffs in that case were seeking in excess of \$17 million in lump sum damages, Justice Roy awarded only \$476,500. He cautioned that a mechanical application of the method developed by the Court could lead to “astronomical amounts of damages” bearing no relationship with the actual harm sustained by the plaintiff. Rather, the approach should be used with “modulation and restraint”: *Wang*, at paragraph 153.

[43] I share Justice Roy’s concerns. The purpose of the method remains to reach a realistic assessment of the harm to be compensated. Other purposes, such as ensuring deterrence, should be pursued by other means, in particular punitive damages.

[44] I would add the following observation. This Court has always been clear that damages awards in counterfeit goods cases seek to compensate depreciation of goodwill rather than lost sales: *Oakley, Inc v Doe* (2000), 8 CPR (4th) 506 (FCTD) at paragraph 9; *Louis Vuitton Malletier SA v Singa Enterprises (Canada) Inc*, 2011 FC 776 at paragraph 127, [2013] 1 FCR 413 [*Singa*]. Yet, the case law provides few benchmarks to help understand how depreciation of goodwill is measured. One principle is implicit in this Court’s method for calculating nominal damages—harm to goodwill is proportional to the volume of sales of counterfeit goods. Thus, the larger the sales, the larger the damages. Beyond that, however, there is little guidance, perhaps because it is difficult to say more in the absence of evidence. In one instance, a rough calculation of profit was used to validate a lump sum award: *Louis Vuitton Malletier SA v Yang*, 2007 FC 1179 at paragraphs 42–44 [*Yang*].

(2) Application to This Case

[45] There is little evidence of the harm Ms. Campbell caused to lululemon. One falls back on the common sense assumption that counterfeiting depreciates goodwill. While the loss of sales cannot be excluded, it may well be that Ms. Campbell's customers would not have bought original lululemon wear, given the significant difference in price. A very rough estimate of damage is the most we can hope for in this case.

[46] To reach such an estimate, I will adopt the basic approach found in this Court's case law, which is to multiply a lump sum by a number of instances of infringement.

[47] Lululemon brings evidence of eight posts on Facebook pages offering counterfeit merchandise for sale. As I mentioned above, Ms. Campbell and her associates asked the followers of the pages to put in orders by a certain date, after which they would put an aggregate order with their overseas supplier. I agree with lululemon that each of these offers and orders constitutes a separate instance of infringement.

[48] As Ms. Campbell's activities were followed closely by lululemon's counsel throughout the period at stake in this action, I cannot assume that there were other instances of infringement. While Ms. Munro, in her affidavit, says that she and Ms. Campbell sold "hundreds of items," she provides no information as to the number of orders or the number of posts.

[49] Lululemon also counts a purchase of counterfeit goods made by an investigator it hired as a separate instance of infringement. This purchase, however, was made in response to a post already counted as an instance of infringement. Both events should be considered together. Indeed, lululemon counts another purchase made by an investigator and the associated post as a single instance of infringement, which is the correct approach. Thus, there are eight instances of infringement.

[50] The amount of damages awarded for each instance must take into account the nature and scope of the infringing activity that constitutes one such instance. This is the basis for the distinction, in *Ragdoll* and subsequent cases, between flea market stands, fixed retail premises and importers. This classification, however, was crafted before the advent of electronic commerce. I am unable to map Ms. Campbell's activities onto this classification. As in *Biofert*, I must adopt a modified version of the lump sum damages method.

[51] It would be futile to attempt to calculate the precise scope of Ms. Campbell's activities. Yet, the following indications provide an order of magnitude. In an email to lululemon's counsel, Ms. Campbell admitted that the orders she placed were typically for \$1800-\$2200, and half of the items ordered were counterfeit lululemon merchandise. In a text message to Ms. Anthony, Ms. Campbell boasted she made \$389 off one of the Facebook pages, which I take to be an indication of profit made on one instance of infringement.

[52] Bearing in mind this order of magnitude, I estimate that an amount of \$1,000 per instance of infringement is an appropriate lump sum to compensate lululemon. As there are eight instances of infringement, I will award \$8,000 in compensatory damages.

D. *Punitive Damages*

[53] Lululemon is also seeking punitive damages in an amount of at least \$100,000. It asserts that Ms. Campbell's conduct is deliberate and shows an egregious disregard for Canada's intellectual property laws. It also submits that compensatory damages would be insufficient to achieve deterrence.

[54] I agree in part with lululemon. For the following reasons, I am awarding \$30,000 in punitive damages.

(1) Principles

[55] In *Whiten v Pilot Insurance Co*, 2002 SCC 18 at paragraph 94, [2002] 1 SCR 595 [*Whiten*], the Supreme Court of Canada offered the following summary of the principles governing awards of punitive damages:

(1) Punitive damages are very much the exception rather than the rule, (2) imposed *only* if there has been high-handed, malicious, arbitrary or highly reprehensible misconduct that departs to a marked degree from ordinary standards of decent behaviour. (3) Where they are awarded, punitive damages should be assessed in an amount reasonably proportionate to such factors as the harm caused, the degree of the misconduct, the relative vulnerability of the plaintiff and any advantage or profit gained by the defendant, (4) having regard to any other fines or penalties suffered by the defendant for the misconduct in question. (5) Punitive damages

are generally given only where the misconduct would otherwise be unpunished or where other penalties are or are likely to be inadequate to achieve the objectives of retribution, deterrence and denunciation. (6) Their purpose is not to compensate the plaintiff, but (7) to give a defendant his or her just desert (retribution), to deter the defendant and others from similar misconduct in the future (deterrence), and to mark the community's collective condemnation (denunciation) of what has happened. (8) Punitive damages are awarded *only* where compensatory damages, which to some extent are punitive, are insufficient to accomplish these objectives, and (9) they are given in an amount that is no greater than necessary to rationally accomplish their purpose. (10) While normally the state would be the recipient of any fine or penalty for misconduct, the plaintiff will keep punitive damages as a "windfall" in addition to compensatory damages. (11) Judges and juries in our system have usually found that moderate awards of punitive damages, which inevitably carry a stigma in the broader community, are generally sufficient.

[56] Thus, the Court must first decide whether punitive damages are warranted. This involves assessing whether the defendant's conduct reaches the high threshold, identifying what purposes would be served by awarding punitive damages, and assessing whether the compensatory damages awarded are insufficient to achieve these purposes. Not every instance of trademark infringement warrants punitive damages: *UBS Group AG v Yones*, 2022 FC 132 at paragraph 58. Nevertheless, courts have considered that making a business of selling counterfeit goods for a profit, especially when coupled with steps taken to avoid enforcement, may constitute sufficiently egregious conduct to warrant punitive damages: see, for example, *Yang*, at paragraphs 45–53; *Singga*, at paragraphs 162–180; *Wang*, at paragraphs 181–192.

[57] Second, the amount of punitive damages must be established. The amount must not be greater than what is necessary to achieve the award's purposes. Several factors are relevant, including the degree of blameworthiness of the defendant, the harm caused to the plaintiff and

the profit made by the defendant. In turn, several factors are relevant in assessing blameworthiness, including whether the defendant's conduct was planned or repetitive, whether the defendant knew their conduct was unlawful or whether they attempted to conceal it: *Whiten*, at paragraph 113.

(2) Application to This Case

[58] To assess whether Ms. Campbell's conduct warrants punitive damages, one must begin with a recognition of the important public interests promoted by the Act. The Supreme Court of Canada summarized them as follows in *Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22 at paragraph 21, [2006] 1 SCR 772:

The trade-mark owner [...] may simply have used a common name as its "mark" to differentiate its wares from those of its competitors. Its claim to monopoly rests [...] on serving an important public interest in assuring consumers that they are buying from the source from whom they think they are buying and receiving the quality which they associate with that particular trade-mark. Trade-marks thus operate as a kind of shortcut to get consumers to where they want to go, and in that way perform a key function in a market economy. Trade-mark law rests on principles of fair dealing. It is sometimes said to hold the balance between free competition and fair competition.

[59] As the Court found in an earlier case, *Kirkbi AG v Ritvik Holdings Inc*, 2005 SCC 65 at paragraph 39, [2005] 3 SCR 302, "The operation of the market relies extensively on brands. The goodwill associated with them is considered to be a most valuable form of property."

[60] Thus, knowingly importing, advertising and selling counterfeit goods is a serious disregard of the basic rules of our market economy. It is a form of appropriation of someone

else's goodwill. Such breaches of the Act cannot be tolerated. This is what Ms. Campbell did, and her conduct deserves punishment.

[61] In such a case, punitive damages are needed to ensure deterrence. Not every instance of selling counterfeit goods is detected. The evidence in this case shows that there are suppliers abroad who produce such goods in large quantities and attempt to sell them in Canada through a network of resellers such as Ms. Campbell. Those who are tempted to engage in such a business must know that they will not only be deprived of their profits, but also incur significant penalties.

[62] The compensatory damages awarded to lululemon are insufficient to deter Ms. Campbell and others. As I mentioned above, these damages are the best estimate of the depreciation of lululemon's goodwill caused by Ms. Campbell's actions. Someone in Ms. Campbell's situation may well conclude that the profit to be made from selling counterfeit goods is higher than any compensatory damages they would have to pay and that breaching the law is a rational gamble. Yet, the Act entitles a trademark owner to exclusivity of use, not to a compulsory licence fee. Given these realities, an award of \$8,000 in compensatory damages in this case is insufficient to achieve deterrence.

[63] This brings me to the assessment of the amount of punitive damages required to ensure adequate deterrence. Among the factors mentioned in *Whiten*, Ms. Campbell's degree of blameworthiness is the most relevant, as the others—harm to the plaintiff and profits made—are hard to assess in this case.

[64] On the one hand, several factors mentioned in *Whiten*, at paragraph 113, point to a high level of blameworthiness on Ms. Campbell's part. She clearly knew that what she was doing was unlawful, even though she asserted in her defence that she did not breach the Act. She tried to hide her actions by closing down Facebook pages and starting new ones. As mentioned above, she and her associates used variations of the lululemon word mark on the Facebook pages to escape detection. There is evidence that she kept selling counterfeit goods after assuring lululemon that she would stop doing so. The goal of the enterprise was to make profit for herself and her associates.

[65] On the other hand, it would seem that the level of blameworthiness is proportional to the scale of the unlawful business. The award of \$8,000 in compensatory lump sum damages reflects the relatively small scale of Ms. Campbell's operation. Her business is significantly smaller than those involved in *Yang, Singga and Wang*, in which punitive damages in the range of \$100,000 to \$250,000 were awarded. In *Harley-Davidson Motor Company Group, LLC v Manoukian*, 2013 FC 193, at paragraph 51 [*Harley-Davidson*], the Court awarded punitive damages in the amount of \$50,000, for infringing activity that appears to be at least of the same magnitude as those of Ms. Campbell and likely involved more valuable products.

[66] In these circumstances, I am of the view that it is appropriate to order Ms. Campbell to pay \$30,000 in punitive damages.

V. Disposition and Costs

[67] For the foregoing reasons, Ms. Campbell will be condemned to pay \$38,000 to lululemon. This sum will bear interest at the rate of 5% per annum, according to section 37(1) of the *Federal Courts Act*, RSC 1985, c F-7, and section 2(1) of the *Interest on Judgments Act*, RSNS 1989, c 233. An injunction will also issue enjoining Ms. Campbell to engage again in the conduct that I found to be in breach of the Act.

[68] Lululemon is asking for its costs on a solicitor-client basis. It provided an invoice of its counsel in the amount of \$103,256.

[69] Awards of costs on a solicitor-client basis are only made “where there has been reprehensible, scandalous or outrageous conduct”: *Young v Young*, [1993] 4 SCR 3 at 134. The mere fact that punitive damages are awarded does not entail that costs should automatically be awarded on a solicitor-client basis. In fact, punitive damages may be sufficient to denounce and deter reprehensible conduct: *Harley-Davidson*, at paragraph 53. The mere fact that Ms. Campbell stopped responding to the queries of lululemon’s counsel does not warrant higher costs.

[70] In the alternative, lululemon is asking for costs assessed according to the tariff and providing a bill of costs totalling \$4,200. I am in agreement with the amounts claimed, with the exception of 10 units for the assessment of costs. I will thus reduce the amount of costs to \$2,700.

JUDGMENT in T-420-21

THIS COURT'S JUDGMENT is that:







1. The defendant Katelyn Dawn Campbell, aka Katelyn Campbell aka Katie Campbell aka Katelyn Dawn, is condemned to pay \$38,000, plus interest at the rate of 5% per annum from the date of this judgment, to the plaintiff.
2. The defendant Katelyn Dawn Campbell, aka Katelyn Campbell aka Katie Campbell aka Katelyn Dawn, is enjoined from
 - a) importing, advertising and selling merchandise bearing the trademarks enumerated in schedule A to this judgment, or any other words or design likely to be confusing with these trademarks;
 - b) using any words or design likely to be confusing with the trademarks enumerated in schedule A to this judgment in the advertisement of goods.
3. The defendant Katelyn Dawn Campbell, aka Katelyn Campbell aka Katie Campbell aka Katelyn Dawn, is condemned to pay costs in the amount of \$2,700, inclusive of taxes and disbursements, plus interest at the rate of 5% per annum from the date of this judgment, to the plaintiff.

"Sébastien Grammond"

Judge

SCHEDULE A

Registration No. Trademark

	Registration No.	Trademark
LULULEMON	TMA813087	LULULEMON
LULULEMON ATHLETICA	TMA809526	LULULEMON ATHLETICA
LUON	TMA612278	LUON
	TMA574628	LULULEMON ATHLETICA & Design
lululemon  athletica	TMA812854	LULULEMON ATHLETICA & Wave Design
	TMA812855	WAVE Design (basic)
	TMA577611	WAVE Design
	TMA728845	WAVE Design
GROOVE PANT	TMA843135	GROOVE PANT
	TMA1070519	Wave Design (Men's logo)

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-420-21

STYLE OF CAUSE: LULULEMON ATHLETICA CANADA INC. v
KATELYN DAWN CAMPBELL AKA KATELYN
CAMPBELL AKA KATIE CAMPBELL AKA
KATELYN DAWN; CRYSTAL MUNRO AKA
CRYSTAL GAIL JOEY MUNRO; KATEY-LYNN
JOSIE MISENER; AND LEANNE ANTHONY AKA
LEANNE TAYLOR

PLACE OF HEARING: HELD BY VIDEOCONFERENCE

DATE OF HEARING: JANUARY 18, 2022

JUDGMENT AND REASONS: GRAMMOND J.

DATED: FEBRUARY 14, 2022

APPEARANCES:

James Z. Jeffries-Chung

FOR THE PLAINTIFF

SOLICITORS OF RECORD:

Norton Rose Fulbright Canada LLP
Barristers and Solicitors
Vancouver, British Columbia

FOR THE PLAINTIFF