

Federal Court



Cour fédérale

Date: 20230321

Docket: T-1308-20

Citation: 2023 FC 388

Ottawa, Ontario, March 21, 2023

PRESENT: The Honourable Madam Justice Kane

BETWEEN:

**DERMASPARK PRODUCTS INC
POLLOGEN LTD.**

**Plaintiffs/
Defendants by Counterclaim**

and

**BINAL PATEL
BALSAM SPA DBA BALSAM DAY SPA**

**Defendants/
Plaintiffs by Counterclaim**

JUDGMENT AND REASONS

[1] The Defendants, Binal Patel and Balsam Day Spa, bring this motion for summary trial pursuant to Rules 213 and 216 of the *Federal Courts Rules*, SOR/98-106 [the Rules] in the context of the Plaintiffs' action for trademark and copyright infringement.

[2] In their Notice of Motion for Summary Trial, the Defendants seek:

1. An order dismissing the Plaintiffs' claims;
2. In the alternative, an order dismissing the claim against the Defendant, Binal Patel;
3. An order granting Balsam's counterclaim and ordering the Plaintiffs to indemnify Balsam for all damages it has suffered and to pay aggravated, exemplary and/or punitive damages in the amount of \$50,000.00 to Balsam;
4. Striking the Plaintiffs' Statement of Claim in its entirety without leave to amend; and
5. Costs on an elevated scale.

[3] For the reasons that follow, the Court finds that summary trial is appropriate and has determined the claims on their merits. The Defendants' motion is dismissed and judgment is granted in favour of the Plaintiffs. The Defendants' Counterclaim is dismissed.

[4] Before explaining why this is an appropriate case for a summary trial and why the relief sought by the Defendants is not granted, the general background and the key aspects of the Plaintiffs' claim and the Defendants' defence are described.

I. Background

A. *Overview*

[5] The Plaintiffs and Defendants by Counterclaim (the Plaintiffs) in the underlying action are Pollogen Inc. and DermaSpark Products Inc. [to be referred to as DermaSpark unless

necessary to distinguish Pollogen]. Pollogen is based in Israel and manufactures professional facial treatment products, including its OxyGeneo line of products. This product line includes the Geneo+ machine (marketed as the OxyGeneo machine in Canada), the Capsugen (a disposable component of the machine), and accompanying treatments such as NeoBright and NeoRevive. DermaSpark is the exclusive authorized distributor in Canada of Pollogen's products.

[6] The Defendants and Plaintiffs by Counterclaim (the Defendants) in the underlying action are Binal Patel and Balsam Spa, also known as Balsam Day Spa [Ms. Patel and the Spa will be referred to as Balsam unless necessary to distinguish Ms. Patel]. Ms. Patel is the director of Yashvi Inc., the owner of Balsam Spa; she describes herself as the owner, operator, sole shareholder and director.

[7] DermaSpark claims that Balsam purchased a counterfeit of Pollogen's machine and related products online and used these products at the spa from February 2018 to approximately March 2020. DermaSpark alleges that Balsam's use of counterfeit products and DermaSpark's advertising and marketing material infringed their rights under the *Trademarks Act*, RSC, 1985, c T-13 and the *Copyright Act*, RSC, 1985, c C-42.

[8] DermaSpark adds that the counterfeit products are dangerous to use and that the sale of the counterfeit machine is prohibited in Canada, noting that the OxyGeneo machine is a Class III medical device, licenced by Health Canada.

[9] Balsam denies infringement of DermaSpark's copyright and trademark rights. Balsam contends that it purchased a "real" machine, albeit from a different seller via Alibaba (an online retailer) at a much lower cost, and used products that were the same as those sold by DermaSpark. Balsam adds that it immediately complied with DermaSpark's cease and desist letter upon receipt.

[10] Balsam counterclaims that DermaSpark's action is an abuse of process because DermaSpark failed to take prompt action to prevent infringement and threatened legal action against small businesses while encouraging them to buy DermaSpark products. Balsam seeks damages from DermaSpark and elevated costs.

B. *The Plaintiffs' (DermaSpark's) Statement of Claim*

[11] DermaSpark states that Pollogen has registered the trademarks of the products at issue in Canada and owns some of the copyright used in advertising material of its products. DermaSpark also owns some of the copyright of the advertising material for Pollogen's products.

[12] DermaSpark states that products branded by Pollogen that are sold or distributed in Canada in any way other than through DermaSpark are counterfeit. DermaSpark claims that Balsam did not acquire the machine or treatments at issue from DermaSpark, nor inquire into the origin of the products. DermaSpark claims that Balsam knew or ought to have known that the machine and treatments were counterfeit given that Balsam apparently "came across" a DermaSpark sales presentation.

[13] DermaSpark claims that Balsam used the counterfeits to conduct skin treatments, while intentionally advertising and presenting the treatments and machine as the original.

[14] DermaSpark claims that purchase of the counterfeit machine and treatments deprived them of profits they would have made had the original been purchased.

[15] DermaSpark claims that Pollogen's products are highly popular and well known by medical and aesthetic professionals across Canada and that these counterfeit products are of lesser quality. DermaSpark adds that the sale of services to customers using the counterfeit products prejudicially affected their relationship with their chain of legitimate customers and potential future customers and caused significant damage to the goodwill associated with their trademarks.

[16] DermaSpark also claims that Balsam used their logos and pictures from the Pollogen and DermaSpark website to advertise and promote Balsam's counterfeit products and services. DermaSpark states that it did not consent to this use and that Balsam was not authorized or licenced to use the trademarks and copyrighted works.

[17] DermaSpark claims that as a result of Balsam's actions, DermaSpark suffered damages, including to their reputation and goodwill. DermaSpark seeks a range of relief, including an injunction and statutory and punitive damages.

C. *The Defendants' (Balsam's) Second Amended Statement of Defence and Counterclaim*

[18] Balsam denies that DermaSpark is entitled to any relief and puts DermaSpark to the strict proof of their allegations.

[19] Balsam disputes that the machine and products it purchased in February 2018 from Alibaba were counterfeit.

[20] Balsam states that upon receiving a cease and desist letter in March 2020, it immediately disposed of the machine and products (although they cannot prove they did so) and stopped all use of DermaSpark's promotional materials.

[21] Balsam disputes that DermaSpark has suffered any damages and seeks dismissal of DermaSpark's claim with costs in their favour on an elevated scale.

[22] In the counterclaim, Balsam asserts that DermaSpark lost its "protection of copyright" due to its lack of action against online vendors.

[23] Balsam seeks a declaration that they have not infringed any of DermaSpark's rights and that DermaSpark's claim is an abuse of process, alleging, among other things that DermaSpark is intimidating small businesses and that DermaSpark permitted online sales to continue in order to later "extort" money from small businesses through demand letters and litigation.

[24] Balsam seeks \$100,000 in damages from DermaSpark.

II. The Motion for Summary Trial

[25] As noted above, Balsam's motion for summary trial seeks, among other things, an order dismissing DermaSpark's claims, striking DermaSpark's Statement of Claim, and granting Balsam's counterclaim with costs.

[26] Balsam sets out several grounds in their Notice of Motion, some of which mirror Balsam's Second Amended Statement of Defence, and additional responses, including:

- DermaSpark has not pleaded any facts to make Ms. Patel liable for any cause of action asserted;
- DermaSpark has not disclosed the details of the distribution agreement with Pollogen;
- DermaSpark and Pollogen have not provided evidence that they own the trademarks or copyright at issue;
- Balsam purchased online the same machine and products as marketed by DermaSpark;
- Other online retailers sell DermaSpark products;
- Balsam has not infringed the trademarks or copyrights at issue;
- Balsam's use of DermaSpark's advertising material to market and sell the same products marketed by DermaSpark does not constitute a breach of copyright;
- DermaSpark did not take any steps to prevent other retailers and suppliers from selling their products and, as a result, DermaSpark's trademarks have lost their distinctiveness;

and, DermaSpark’s lack of action shows that DermaSpark has been “laying in the weeds” in order to later seek damages from small businesses. (Balsam characterizes this as extortion and an unfair practice that should warrant an award of damages, including punitive and exemplary damages.)

[27] Balsam’s motion record consists of the Affidavit of Ms. Patel and several exhibits. Ms. Patel’s affidavit and her oral evidence is described in Annex A and also summarized below.

III. Is summary trial appropriate in this case?

[28] As this is a motion for summary trial, the first issue is whether summary trial is appropriate.

A. *Principles Regarding Motions for Summary Trial*

[29] In *Collins v Canada*, 2014 FC 307, at para 39 [*Collins*], the Court noted that the moving party bears the burden of demonstrating that a summary trial is appropriate (citing *Teva Canada Ltd v Wyeth LLC*, 2011 FC 1169 at para 35, rev’d on other grounds in 2012 FCA 141). The Court set out the relevant considerations at paras 40:

[40] In deciding whether summary trial is appropriate, the judge may consider, among other things: the amount involved; the complexity of the matter; the cost of a conventional trial in relation to the amount involved; the course of the proceedings; whether the litigation is extensive; whether credibility is a crucial factor; the urgency of the matter; whether the summary trial will involve a substantial risk of wasted time and effort; and whether the summary trial will result in litigating in slices (see e.g. *Bosa Estate v Canada*, 2013 FC 793 at para 22, 230 ACWS (3d) 425

[*Bosa*]; *Tremblay v Orio Canada Inc*, 2013 FC 109 at para 24, 230 ACWS (3d) 850 [*Tremblay*]).

[30] The Court in *Collins* explained at para 41 that once the Court finds that summary trial is appropriate, the Court should proceed to hear the case on its merits.

[31] In *Viiv Healthcare Company v Gilead Sciences Canada, Inc*, 2021 FCA 122, the Federal Court of Appeal elaborated on the principles and noted, at para 35:

[35] Rule 216 [of the *Federal Courts Rules*] governs the Court's discretion as to whether to hold a summary trial. The Court may decline to do so if "the issues raised are not suitable for summary trial" or "a summary trial would not assist in the efficient resolution of the action": subsection 216(5). The rule also provides that even if the amounts involved are high, the issues are complex or the evidence is conflicting, "the Court may grant judgment either generally or on an issue" unless "the Court is of the opinion that it would be unjust to decide the issues on the motion": subsection 216(6).

[32] More recently in *Ark Innovation Technology Inc v Matidor Technologies Inc*, 2021 FC 1336 [*Ark*], this Court reiterated the established principles and acknowledged that the Court should also consider, as a relevant although not determinative factor, whether both parties support the motion for summary trial. The Court noted at paras 17-18:

[17] As the Court of Appeal confirmed recently, these provisions [Rule 216] must be interpreted and applied consistently with the general principle in Rule 3, which seeks "to secure the just, most expeditious and least expensive determination of every proceeding on its merits": *Viiv Healthcare Company v Gilead Sciences Canada, Inc*, 2021 FCA 122 at paras 35–37. In assessing whether summary trial is appropriate, issues such as the complexity of the matter, urgency, cost, time, expert evidence, and whether a summary trial risks "litigating in slices" are relevant factors: *Viiv Healthcare* at para 38 citing with approval *Wenzel Downhole Tools Ltd v National-Oilwell Canada Ltd*, 2010 FC 966

at para 38; *Bosa v Canada (Attorney General)*, 2013 FC 793 at para 22; *Tremblay v Orio Canada Inc*, 2013 FC 109 at para 24.

[18] In this case, the parties consent to the summary trial process. In my view, while this cannot be determinative, it is an important factor in assessing whether it is “suitable” and “just” to proceed by summary trial: *Tremblay* at para 26; *Boulangerie Vachon Inc v Racioppo*, 2021 FC 308 at paras 8, 12. If all parties are prepared to proceed through the simplified and typically less expensive summary trial process, this suggests it is just to proceed in this manner. I believe the Court should be reluctant in such circumstances to require the parties to incur the further cost and delay of proceeding to a full trial.

[33] In *Ark*, the Court added, at para 19, that “conflicting evidence and credibility issues do not preclude summary trial unless it would be unjust to decide the issues without trial.”

B. *Balsam’s Submissions*

[34] Balsam submits that the issues are not complex and that in the course of case management of this litigation, both parties agreed to pursue a summary trial.

C. *DermaSpark’s Submissions*

[35] DermaSpark cites the criteria in the jurisprudence as noted above. DermaSpark acknowledges that not all the criteria are met in this case. For example, there is controversy in the evidence and credibility is an issue. DermaSpark submits that this can be overcome because the affiants will be cross-examined in person in the course of the summary trial, which will permit the court to assess their credibility.

[36] DermaSpark submits that the issues are well defined and focus on the infringement of DermaSpark's works (*i.e.*, the copyright issues), the infringement of the trademarks, the quantification of the damages and, the costs to be awarded.

[37] DermaSpark submits that the facts necessary to establish their claims are clearly set out in the affidavit evidence and elaborated on in the oral testimony.

[38] DermaSpark notes that the only facts not present in the evidence on the record of either DermaSpark or Balsam are facts about the extent of Balsam's use and the prejudice to DermaSpark. DermaSpark submits that the absence of this evidence is not an obstacle to the summary trial as similar issues arise in full trials. DermaSpark submits that there are other approaches to quantify the damages, including lump sum and nominal damages.

[39] DermaSpark submits that given that both Balsam and DermaSpark agree that this matter should proceed by summary trial, and most other criteria have been established, this Court should proceed to determine the matter on the merits by way of summary trial.

D. *The Summary Trial Will Proceed*

[40] The Court finds that a summary trial is appropriate.

[41] Although Balsam is the moving party, the submissions of DermaSpark regarding why the summary trial should proceed are more persuasive. In addition, this litigation has been prolonged

for unexplained reasons and it is in the interest of both parties to bring this litigation to a conclusion.

[42] The jurisprudence has established that the substantive arguments raised on motion (not by the underlying claim) are to be decided (See for *e.g.*, *Mud Engineering Inc v Secure Energy (Drilling Services) Inc*, 2022 FC 943 [*Mud*] paras 5, 6).

[43] In the present case, the moving party, Balsam, makes broad claims in their notice of motion with minimal reference to the law or the facts. Nonetheless, DermaSpark fully supports this matter proceeding as a summary trial. DermaSpark proposed to establish the allegations as set out in their Statement of Claim (which are also set out in their Responding Motion Record) and Balsam proposed to respond in accordance with their Statement of Defence.

[44] This approach should not be regarded as a model for the procedure applicable to a motion for summary trial; however, in the present circumstances, it is the more efficient and cost-effective approach. Therefore, I agree that the summary trial should proceed. The Court will not engage in the issue of the burden of proof on a motion of summary trial, considering the agreement by parties (see for *e.g.*, *Mud* at paras 21-28).

IV. DermaSpark's Submissions (Plaintiff's Responding Motion Record)

A. *Trademark and Copyright Ownership*

[45] The Affidavit of Mr. Moshe Ben-Shlomo, the Director of DermaSpark, explains that DermaSpark is the exclusive distributor of Pollogen's products in Canada, including the OxyGeneo machine and related products, that DermaSpark's products are well known and that the OxyGeneo machine is a licensed medical device in Canada.

[46] DermaSpark explains that Pollogen is the sole and exclusive owner of several registered trademarks and that DermaSpark is authorized to use the trademarks and promote the products accordingly. The registered trademarks and their respective registration information are:

- OxyGeneo (TMA1032944) – November 7, 2017;
- NeoRevive (TMA1037225) – November 17, 2017;
- NeoBright (TMA1035066) – November 17, 2017;
- 3-in-1 super facial (TMA1041360) – February 8, 2019;
- Geneo+ (TMA1032928) – November 17, 2017.

[47] Mr. Ben-Shlomo's affidavit attaches several exhibits that support the ownership of the trademarks at issue. The affidavits of Mr. Moshe Gurevitch and Ms. Allison Bran establish that DermaSpark and Pollogen's have copyright in various promotional works.

B. *Goodwill*

[48] DermaSpark states that the Pollogen products are highly popular and well known by medical and aesthetic professionals across Canada. DermaSpark notes that through the use and promotion of its registered marks and rights, they have garnered a valuable reputation and goodwill in Canada, in association with skin care services. Mr. Ben-Shlomo's evidence, as set out more fully in Annex A, supports this.

[49] DermaSpark also points to the evidence of Ms. Patel, who stated she was "impressed with the [...] OxyGeneo branded products" from a sales presentation by DermaSpark in 2017.

[50] DermaSpark also asserts that its branded wares and services are, and are known to be, excellent quality, and are licensed by Health Canada. The exhibits attached to the affidavit of Mr. Ben-Shlomo and explained by him in oral testimony show the licencing requirements of Health Canada and the licence held for the products in issue.

C. *Balsam's Use of the Copyright and Trademarks*

[51] DermaSpark submits that Balsam infringed upon their copyright, registered and unregistered trademarks.

[52] DermaSpark submits that Ms. Patel operated and managed or directed the operation and management of the key elements of the business of Balsam Spa at the material time, and has

directly authorized, advertised, and conducted the acts that constitute the infringements of their rights.

[53] DermaSpark contends that at some unknown date and without any authorization, permission or a licence from DermaSpark, Balsam began to offer, sell, perform, advertise, and promote skin care services under the name OxyGeneo and 3-in-1 super facial and associated products, which constitutes unauthorized use of DermaSpark's copyright and trademarks. This unauthorized use lasted approximately two years, until either January or March 2020.

[54] DermaSpark claims that Balsam offered to sell, sold, and performed OxyGeneo skin treatments using a counterfeit OxyGeneo machine while intentionally presenting it as the original. DermaSpark asserts that the machine was not supplied by DermaSpark who is the exclusive distributor of Pollogen products in Canada. DermaSpark alleges that Balsam did not inquire into the origin of the machine or products purchased.

[55] DermaSpark notes that, in addition to not gaining any profits from the sale of original products, the sale of counterfeit products that are not as effective as the original product, and may be dangerous, prejudicially affects DermaSpark's relationship with its chain of legitimate customers and potential future customers.

[56] DermaSpark also claims that Balsam unlawfully used DermaSpark's logos and pictures (their "works") on Balsam's website to advertise and promote Balsam's products, and services, including an OxyGeneo Technology design in a blue round background, a picture of a Capsugen

in brown, two yellow NeoBright packets, two pink NeoRevive packets and a set of three images showing how the OxyGeneo machine works on the skin. The affidavits of Mr. Ben-Shlomo and Mr. Gurevitch attach screen captures of Balsam's online publications and promotions that use DermaSpark's and Pollogen's trademarked products and copyrighted works.

D. *Damage to DermaSpark*

[57] DermaSpark claims that Balsam's unlawful actions caused significant irreparable damage to their reputation and to the goodwill associated with their trademarks.

[58] DermaSpark acknowledges that without a discovery process, DermaSpark cannot accurately assess the extent of Balsam's use and the extent of damages; however, there are alternative approaches to determine the damages.

E. *Relief Requested*

[59] In their Second Amended Statement of Claim, DermaSpark seeks the following relief:

- i. a Declaration that the Defendants have infringed the Plaintiffs' Rights;
- ii. a Declaration that the Defendants' acts constitute unfair competition;
- iii. a Declaration that the Defendants' acts constitute trademark infringement, dilution of goodwill;
- iv. a permanent injunction restraining the Defendants from using Pollogen's marks;
- v. an order requiring the delivery or destruction of infringing material;
- vi. an order requiring the communication of the name and contact information of the entities supplying the infringing products;

- vii. damages for copyright infringement in the amount of \$80,000.00 (At the hearing, DermaSpark noted that a lesser amount may be more appropriate);
- viii. damages for trademark violations in the amount of \$100,000.00;
- ix. Punitive and exemplary damages in the amount of \$40,000.00;
- x. Interest; and,
- xi. Costs.

V. Balsam's Position (Statement of Defence and Counterclaim)

[60] Balsam's Statement of Defence and Counterclaim is set out above at paras 18-24.

Balsam's position is also described in their Notice of Motion for Summary Trial as set out at para 26. More generally, Balsam disputes that the machine it purchased was counterfeit, and suggests that instead, it may have been "grey goods" (*i.e.* a stolen or resold machine). Balsam asserts that DermaSpark has not established that the products were counterfeit. Balsam also submits that if the products were counterfeit, Ms. Patel was unaware. Balsam contends that DermaSpark did nothing to prevent infringement of their copyright or trademarks including via Alibaba and could or should have taken action against that online seller rather than against the purchaser of counterfeit products.

VI. The Issues

[61] I adopt the issues as set out by DermaSpark, which are:

- i. Whether Balsam is liable for copyright infringement in violation of section 27 of the *Copyright Act*;

- ii. Whether Balsam has “used” DermaSpark’s trademark, as use is described in sections 2 and 4 of the *Trademarks Act*;
- iii. Whether Balsam is liable for passing off or substituting their goods for those of DermaSpark in violation of section 7 of the *Trademarks Act*;
- iv. Whether Balsam is liable for trademark infringement in violation of sections 19 and 20 of the *Trademarks Act*;
- v. Whether Balsam’s acts have resulted in diminishing the goodwill of DermaSpark in violation of section 22 of the *Trademarks Act*;
- vi. Whether DermaSpark is entitled to the relief sought;
- vii. How damages should be quantified;
- viii. Whether DermaSpark is entitled to their costs on this motion;
- ix. Whether Balsam is entitled to their counterclaim for abuse of process, exemplary and/or punitive damages and costs.

VII. Assessment of the Evidence

[62] The evidence of the witnesses for DermaSpark, Mr. Ben-Shlomo, Mr. Gurevitch and Ms. Allison J. Bran is set out in Annex A. The evidence of the witness for Balsam, Ms. Patel, is also set out in Annex A. Specific aspects of the evidence are noted in the analysis of the issues.

[63] Based on my review and assessment of the affidavit evidence and exhibits and my assessment of the oral evidence of Mr. Ben-Shlomo, Mr. Gurevich and Ms. Patel—which is not consistent in several respects—I have given more weight to the evidence of Mr. Ben-Shlomo and Mr. Gurevitch.

[64] The evidence of Ms. Patel regarding her machine and communications with DermaSpark cannot be relied on. Her evidence was inconsistent, evasive and evolving.

[65] For example, in Ms. Patel's oral testimony, she contends that Mr. Ben-Shlomo, the Director of DermaSpark, who is located in Vancouver, personally attended at her spa twice. She contends that on his first visit, he personally demonstrated the machine to her. Ms. Patel could not recall when Mr. Ben-Shlomo visited her spa, whether he arrived unannounced or by appointment, or how this personal visit and alleged demonstration—which she stated was on her—could be described as “coming across” a presentation, as she had stated in her affidavit. Ms. Patel also states that Mr. Ben-Shlomo attended at her spa for a second time “sometime” after January 30, 2020 to verify that she had disposed of her machine and products. Again, she could not say when this occurred. She could also not explain why Mr. Ben-Shlomo continued to send emails requesting that she provide a picture of the machine and the serial number if she had in fact previously provided the serial number to him by telephone. She could not explain why Mr. Ben-Shlomo asked that she return the machine to him and also would attend at her spa, but not view the machine. Mr. Ben-Shlomo vehemently denies ever attending at the Balsam Spa.

[66] In closing submissions, Counsel for Balsam suggested that whether Mr. Ben-Shlomo attended the spa was not material to the issue of infringement. However, Ms. Patel's testimony regarding his visits, which are denied by Mr. Ben-Shlomo, is relevant to the Court's assessment of Ms. Patel's credibility.

[67] Ms. Patel's evidence regarding her lack of awareness that the product she purchased from a seller in China via the Alibaba website was counterfeit is also not convincing. Given that she did not find the machine on any Canadian online platform but only on Alibaba, at a significantly lower price, she should have been alerted to the risk that this was a counterfeit product. In addition, the invoice from the sellers, Wuhan Gaze Laser Technology Co. Ltd [Wuhan] and Gracelaser Electronic Technology Co., Ltd. [Gracelaser] did not identify the products by exactly the same names as the Pollogen products. Her testimony that she only noticed the differences upon being asked on cross-examination to look at the invoice, which is an exhibit to her affidavit, confirms that she was reckless or willfully blind to the possibility that she was purchasing a counterfeit machine. Her response—that the extremely low price did not raise any red flags because products in Canada typically cost more—is not a reasonable explanation given that the machine purchased via Alibaba was only one fifth of the price of a genuine machine and she knew the price of a genuine machine. Ms. Patel testified that she did not make any inquiries to verify that her purchase was in fact a product manufactured by Pollogen.

[68] Ms. Patel's testimony regarding the "WhatsApp" chat between her husband and the online seller evolved and was inconsistent. Ms. Patel flip-flopped regarding whether she was

present during the chat and how the chat was reproduced and how the title, “Whats up chat with supplier,” was inserted.

[69] Similarly, her testimony evolved regarding whether she was present while her husband prepared the exhibit listing the sales to clients of the services using the counterfeit products.

[70] In addition, Ms. Patel’s evidence of her communications with Mr. Ben-Shlomo regarding the machine relies on selective parts of emails to bolster her claimed ignorance that the machine was counterfeit. For example, in her oral testimony, she contends that Mr. Ben-Shlomo told her that her machine was “real”; however, the email states that “if this is what we have spoken about [which appears to be whether her machine is one that was previously stolen], don’t worry about it as this is a real machine, please send me a photo of the back of the machine [...].” Ms. Patel never sent a photo of the back of the machine and cannot reasonably explain why she did not, despite several requests to do so. Subsequent emails highlight that Mr. Ben-Shlomo alerted Ms. Patel and her husband that the machine she had purchased was not genuine.

[71] In closing submissions, Counsel for Balsam argued that there is no evidence that the machine is counterfeit because it was never inspected by DermaSpark and was destroyed. Counsel for Balsam suggested that Mr. Ben-Shlomo did not advise Balsam that the machine was counterfeit, only that the machine would be “considered” to be counterfeit, and that this communication followed only after Ms. Patel stated she was not willing to purchase genuine products from DermaSpark.

[72] Balsam's interpretation is not supported by the evidence on the record or the testimony of the witnesses. For example, the email from Mr. Ben-Shlomo to Ms. Patel dated January 14, 2020 asked her to send him a picture of the back of the machine, as did the email of January 16, 2020. The email dated January 30, 2022 to Ms. Patel asked her to reply to Mr. Ben-Shlomo's messages "and call me back. Failure to do that, this will be considered a fake device and legal actions will commence [...]" The email dated January 30, 2020 from Mr. Ben-Shlomo to Mr. Patel (Ms. Patel's husband) clearly states, "I must have the fake machine shipped to us, please let me know how you want to proceed and we will coordinate it."

[73] Ms. Patel attests that she immediately complied with the cease and desist letter upon receipt and had the machine disposed of at a recycling depot. However, there is no evidence on the record that identifies the serial number of the machine (although she says she orally provided it to Mr. Ben-Shlomo, which he denies), and no picture of the machine.

[74] Ms. Patel's claim that Mr. Ben-Shlomo pressured her to purchase a genuine machine and related products and suggested that no legal action would be taken after she ceased using the counterfeit machine is denied by Mr. Ben-Shlomo. The emails from Mr. Ben-Shlomo do offer genuine products to Balsam, and provide a link to a video explaining the OxyGeneo technology, but the emails do not suggest that purchase of the genuine products would be a way to avoid action against infringement. The emails, as noted above, stated that if the machine is not returned, legal action would commence. In addition, Ms. Patel's allegations cannot be given any weight due to the overall evolving and inconsistent nature of her testimony.

[75] Ms. Patel contends that the machine she purchased was not a medical device requiring a licence from Health Canada, because the machine was “non-invasive.” Her view was based on her “understanding”, but she did not refer to any source for this understanding. She also explains that she contacted Health Canada to inquire about her obligations and was told that her machine was not a medical device. However, she has no record of when she called Health Canada or who she spoke to.

[76] Although Balsam’s submissions attempt to portray the evidence on the record in a more favourable manner to Ms. Patel, the record does not support Balsam’s interpretation. Moreover, Balsam’s portrayal of the evidence does not provide a defence to the claims of infringement or breach of copyright.

VIII. Is the Defendant liable for Copyright infringement in violation of section 27 of the Copyright Act?

[77] Subsections 27(1) and (2) provide:

27 (1) It is an infringement of copyright for any person to do, without the consent of the owner of the copyright, anything that by this Act only the owner of the copyright has the right to do.

(2) It is an infringement of copyright for any person to

27 (1) Constitue une violation du droit d’auteur l’accomplissement, sans le consentement du titulaire de ce droit, d’un acte qu’en vertu de la présente loi seul ce titulaire a la faculté d’accomplir.

(2) Constitue une violation du droit d’auteur l’accomplissement de tout acte ci-après en ce qui a trait à l’exemplaire d’une œuvre, d’une fixation d’une prestation, d’un enregistrement sonore ou

d'une fixation d'un signal de communication alors que la personne qui accomplit l'acte sait ou devrait savoir que la production de l'exemplaire constitue une violation de ce droit, ou en constituerait une si l'exemplaire avait été produit au Canada par la personne qui l'a produit :

- | | |
|--|---|
| <p>(a) sell or rent out,</p> | <p>a) la vente ou la location;</p> |
| <p>(b) distribute to such an extent as to affect prejudicially the owner of the copyright,</p> | <p>b) la mise en circulation de façon à porter préjudice au titulaire du droit d'auteur;</p> |
| <p>(c) by way of trade distribute, expose or offer for sale or rental, or exhibit in public,</p> | <p>c) la mise en circulation, la mise ou l'offre en vente ou en location, ou l'exposition en public, dans un but commercial;</p> |
| <p>(d) possess for the purpose of doing anything referred to in paragraphs (a) to (c), or</p> | <p>d) la possession en vue de l'un ou l'autre des actes visés aux alinéas a) à c);</p> |
| <p>(e) import into Canada for the purpose of doing anything referred to in paragraphs (a) to (c),</p> | <p>e) l'importation au Canada en vue de l'un ou l'autre des actes visés aux alinéas a) à c).</p> |

a copy of a work, sound recording or fixation of a performer's performance or of a communication signal that the person knows or should have known infringes copyright or would infringe copyright if it had been made in Canada by the person who made it.

[78] DermaSpark has established—by the evidence of Mr. Ben-Shlomo and Mr. Gurevitch and the exhibits attached to their affidavits—that Pollogen and DermaSpark own the copyright to the various works that Balsam has copied and posted on their own website. Balsam does not dispute that Pollogen owns these works or that DermaSpark is the only authorized Canadian distributor and is licensed to use the works. Balsam’s reproduction or copying of five works has been established in the exhibits on the record. Of note, Balsam also copied the indication that these are indeed trademarks.

[79] Balsam focusses only on the OxyGeneo machine and argues that if the machine is real, there would be no impediment to Balsam’s use of Pollogen’s and DermaSpark’s promotional works. However, it has been established that Balsam’s machine is not “real.” In addition, in oral evidence, Mr. Ben-Shlomo explained that owners of genuine machines still have to pay a fee to use the promotional works.

[80] Mr. Gurevitch provided a screen capture of Balsam’s website. The screen capture contains images including the OxyGeneo logo, the Capsugen picture, the NeoBright picture and NeoRevive picture. Mr. Gurevitch states that these images were authored by Pollogen’s employees and all rights in and to the images (the “works”) are owned by Pollogen. He states that Balsam has no right to use Pollogen’s works for any purpose.

[81] The exhibits noted by Mr. Ben-Shlomo also demonstrate that Balsam used the identical images from Pollogen’s and DermaSpark’s promotional materials on the Balsam website. Of note, the “before and after” images are identical.

[82] Mr. Ben-Shlomo also pointed to an exhibit which shows screen captures of Balsam’s website and explained that the “before-and-after” skin photos are taken from DermaSpark’s website and marketing materials, noting that these were Pollogen’s works. He identified each photo and text as belonging to DermaSpark and Pollogen and noted the use of “TM” beside the name OxyGeneo. These images are displayed on a copy of DermaSpark’s own website.

Mr. Ben-Shlomo attested that the animation of “Exfoliate, Infuse, Oxygenate” was designed in 2015 for DermaSpark.

[83] DermaSpark has established that Balsam infringed their copyright for several works.

IX. Has Balsam “used” DermaSpark’s trademarks?

[84] “Use” is defined in Section 2 of the *Trademarks Act*: “use, in relation to a trademark, means any use that by section 4 is deemed to be a use in association with goods or services; (*emploi ou usage*).”

[85] Section 4 provides:

4 (1) A trademark is deemed to be used in association with goods if, at the time of the transfer of the property in or possession of the goods, in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to

4 (1) Une marque de commerce est réputée employée en liaison avec des produits si, lors du transfert de la propriété ou de la possession de ces produits, dans la pratique normale du commerce, elle est apposée sur les produits mêmes ou sur les emballages dans lesquels ces produits sont distribués, ou si elle est, de toute autre manière, liée aux produits à

whom the property or possession is transferred.

tel point qu'avis de liaison est alors donné à la personne à qui la propriété ou possession est transférée.

(2) A trademark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.

(2) Une marque de commerce est réputée employée en liaison avec des services si elle est employée ou montrée dans l'exécution ou l'annonce de ces services.

(3) A trademark that is marked in Canada on goods or on the packages in which they are contained is, when the goods are exported from Canada, deemed to be used in Canada in association with those goods.

(3) Une marque de commerce mise au Canada sur des produits ou sur les emballages qui les contiennent est réputée, quand ces produits sont exportés du Canada, être employée dans ce pays en liaison avec ces produits.

[86] DermaSpark has established that Balsam used the trademarks in accordance with the definition of “use” in Sections 2 and 4 of the *Trademarks Act*. Balsam used the marks in its advertising, promotion and sale of the spa services for the OxyGeneo treatments. This is confirmed by the evidence of Mr. Gurevitch and Mr. Ben-Shlomo.

[87] Mr. Gurevitch stated that DermaSpark is the only authorized distributor of Pollogen products in the Canadian market. He also stated that any alleged Pollogen device or alleged Pollogen products acquired from a source other than Pollogen’s exclusive distributors are counterfeit and are infringing devices and products. Mr. Gurevitch noted that Wuhan and Gracelaser are infringers known to Pollogen and stated that they are not authorized to manufacture or distribute Pollogen’s goods.

[88] Mr. Gurevitch explained that Pollogen does not work with or have distribution agreements with Wuhan or Gracelaser; products coming from these companies are counterfeit, as they do not come from Pollogen.

[89] As noted above, Mr. Gurevitch attached a screen capture of Balsam's website. This exhibit establishes that Balsam used DermaSpark's trademarks on their website: in particular, OxyGeneo, NeoBright, and NeoRevive.

[90] The exhibits to Mr. Ben-Shlomo's affidavit also show a screen capture of Balsam's use of the following trademarks on their website and Facebook page: OxyGeneo, NeoBright, NeoRevive, Geneo+, and 3-in-1 Facial (which mimics the "3-in-1 super facial" trademark).

[91] Ms. Patel's own evidence also demonstrates Balsam's use of DermaSpark's trademarks in the performance of the services. Ms. Patel attached an exhibit to her affidavit which lists the clients who received the purported OxyGeneo facials at her spa and the amounts charged for the services provided.

[92] Ms. Patel explained that some clients would call the spa to make an appointment for a facial and she would promote the OxyGeneo facials and products. Other clients would specifically ask for the OxyGeneo facials and products, in response to Balsam's website and social media advertisements, and she would provide them.

X. Is Balsam liable for passing off or substituting their goods for those of DermaSpark in violation of section 7 of the *Trademarks Act*?

[93] Section 7 of the *Trademarks Act* provides that:

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| <p>7 No person shall</p> <p>(a) make a false or misleading statement tending to discredit the business, goods or services of a competitor;</p> <p>(b) direct public attention to his goods, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his goods, services or business and the goods, services or business of another;</p> <p>(c) pass off other goods or services as and for those ordered or requested; or</p> <p>(d) make use, in association with goods or services, of any description that is false in a material respect and likely to mislead the public as to</p> <p>(i) the character, quality, quantity or composition,</p> <p>(ii) the geographical origin, or</p> <p>(iii) the mode of the manufacture, production or performance of the goods or services.</p> | <p>7 Nul ne peut :</p> <p>a) faire une déclaration fausse ou trompeuse tendant à discréditer l'entreprise, les produits ou les services d'un concurrent;</p> <p>b) appeler l'attention du public sur ses produits, ses services ou son entreprise de manière à causer ou à vraisemblablement causer de la confusion au Canada, lorsqu'il a commencé à y appeler ainsi l'attention, entre ses produits, ses services ou son entreprise et ceux d'un autre;</p> <p>c) faire passer d'autres produits ou services pour ceux qui sont commandés ou demandés;</p> <p>d) employer, en liaison avec des produits ou services, une désignation qui est fausse sous un rapport essentiel et de nature à tromper le public en ce qui regarde :</p> <p>(i) soit leurs caractéristiques, leur qualité, quantité ou composition,</p> <p>(ii) soit leur origine géographique,</p> <p>(iii) soit leur mode de fabrication, de production ou d'exécution.</p> |
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[94] DermaSpark notes that the marks at issue (*i.e.*, OxyGeneo, NeoRevive, NeoBright, 3-in-1 super facial, and Geneo+) are registered marks that have been consistently used. DermaSpark submits that these marks are inherently distinctive and refer to Pollogen and DermaSpark as the source of the products. In addition, customers associate these marks with high quality products. DermaSpark suggests that Balsam's illegal use of these marks is due to the goodwill and reputation associated with them.

[95] DermaSpark points to the evidence of Balsam's use of the marks in their promotional materials, which misrepresented to the public that Balsam offered the services and products of Pollogen and DermaSpark. DermaSpark submits that the fact that a consumer of Balsam thinks that they are acquiring the products and services of DermaSpark when they are not, and instead acquires other—in this case, counterfeit—products and services constitutes misrepresentation.

[96] DermaSpark submits that Balsam's use of their marks constitutes passing off in contravention of paragraph 7(c) of the *Trademarks Act* (by substitution) because Balsam's use led customers to believe that they were acquiring Pollogen's goods with the quality that goes with it, when they were receiving something else. Balsam's customers did not receive the OxyGeneo treatment that they sought or purchased from Balsam; they received something else.

[97] DermaSpark submits that even if Balsam were ignorant of DermaSpark and Pollogen's rights, despite the warnings on their websites, Balsam's use of the marks was reckless.

[98] DermaSpark submits that as a result of Balsam’s conduct, DermaSpark lost sales and business opportunities and incurred costs to stop the illegal use of the marks. DermaSpark notes that it has also suffered damage due to the loss of control over its marks.

[99] In *Ciba-Geigy Canada Ltd v Apotex Inc*, [1992] 3 SCR 120 at 132, 5 DLR (4th) 385 [*Ciba-Geigy*] (affirmed in *Kirkbi AG v Ritvik Holdings Inc*, 2005 SCC 65 at paras 67–68), the Supreme Court of Canada established the three components of passing off:

1. the existence of goodwill in respect of the distinctiveness of the product,
2. intentional or negligent deception of the public due to a misrepresentation, and
3. actual or potential damage to the plaintiff.

[100] In *Parsons Inc v Khan*, 2021 FC 57 [*Parsons*] at paras 13, 15, 17-20, the Court noted the elements of passing off established in *Ciba-Geigy* and explained “goodwill” at para 17:

[17] Goodwill is defined as “the whole advantage, whatever it may be of the reputation and connection, which may have been built up by years of honest work or gained by lavish expenditure of money and which is identified with the goods distributed by the owner in association with the trademark” (*Clairol International Corp v Thomas Supply & Equipment Co*, [1968] 2 Ex CR 552).

[101] With respect to misrepresentation, the Court noted, at para 19 of *Parsons*, that “misrepresentation may be wilful and deceitful, or it may be negligent or careless (*Kirkbi* at para 68).”

[102] In the present case, Balsam did not use similar and confusing trademarks, rather Balsam used Pollogen's marks (for which only DermaSpark and fee-paying customers are authorized to use) and reproduced these exactly on its website and in its promotion and delivery of the services. Balsam did not provide the genuine products or services, but rather substituted the counterfeit products purchased online and held these out to be genuine Pollogen treatments.

[103] If there were any differences in the use of the trademarks—which there do not appear to be, except for Balsam's reference to the 3-in-1 facial rather than the 3-in-1 super facial—the use would also constitute confusion because a customer would think that Balsam's products and services were from the same source as Pollogen (*Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 at paras 39-45).

[104] Mr. Ben-Shlomo's evidence is that the OxyGeneo products are high quality and that DermaSpark has grown to become the best distributor. Mr. Ben-Shlomo attributes this to the quality of the products, the work of his family-run company, and their efforts at promoting the products, including at trade shows, and now on social media. He notes that DermaSpark's customers include medi-spas, aestheticians, and plastic surgeons. He suggests that Balsam's attempt to purchase the OxyGeneo products is also evidence of the reputation the OxyGeneo products enjoy.

[105] Mr. Ben-Shlomo explained that DermaSpark's efforts and success are negatively affected by unauthorized use of the Pollogen products. First, the brand is damaged when potential consumers hear about customers who developed rashes, had adverse reactions from fake

treatments, or did not get the experience or results they anticipated. Second, spas that buy fake machines can sell their treatments and services at a lower price because they incurred lower capital costs. However, spas that want to buy the genuine machine and products may not do so because they do not believe they can profit by offering the treatment at competitive prices to those offering fakes. Third, DermaSpark loses sales of genuine machines and related products.

[106] The evidence supports the Court's finding that DermaSpark and Pollogen enjoyed goodwill. Balsam held itself out as providing the genuine OxyGeneo products and services by recommending the OxyGeneo facials to customers who sought appointments and also by copying images from the Pollogen website and posting these on the Balsam website, which represents to the public that Balsam is providing the same products and services. This constitutes misrepresentation, whether intentional or reckless. The evidence also supports the Court's finding that DermaSpark has suffered damage.

XI. Is Balsam liable for trademark infringement contrary to sections 19 and 20 of the Trademarks Act?

[107] Section 19 and Subsections 20(1) and (1.01) of the *Trademarks Act* provide:

19 Subject to sections 21, 32 and 67, the registration of a trademark in respect of any goods or services, unless shown to be invalid, gives to the owner of the trademark the exclusive right to the use throughout Canada of the trademark in respect of those goods or services.

19 Sous réserve des articles 21, 32 et 67, l'enregistrement d'une marque de commerce à l'égard de produits ou services, sauf si son invalidité est démontrée, donne au propriétaire le droit exclusif à l'emploi de celle-ci, dans tout le Canada, en ce qui concerne ces produits ou services.

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| <p>20 (1) The right of the owner of a registered trademark to its exclusive use is deemed to be infringed by any person who is not entitled to its use under this Act and who</p> | <p>20 (1) Le droit du propriétaire d'une marque de commerce déposée à l'emploi exclusif de cette dernière est réputé être violé par une personne qui est non admise à l'employer selon la présente loi et qui :</p> |
| <p>(a) sells, distributes or advertises any goods or services in association with a confusing trademark or trade name;</p> | <p>a) soit vend, distribue ou annonce des produits ou services en liaison avec une marque de commerce ou un nom commercial créant de la confusion;</p> |
| <p>(b) manufactures, causes to be manufactured, possesses, imports, exports or attempts to export any goods in association with a confusing trademark or trade name, for the purpose of their sale or distribution;</p> | <p>b) soit fabrique, fait fabriquer, a en sa possession, importe, exporte ou tente d'exporter des produits, en vue de leur vente ou de leur distribution et en liaison avec une marque de commerce ou un nom commercial créant de la confusion;</p> |
| <p>(c) sells, offers for sale or distributes any label or packaging, in any form, bearing a trademark or trade name, if</p> | <p>c) soit vend, offre en vente ou distribue des étiquettes ou des emballages, quelle qu'en soit la forme, portant une marque de commerce ou un nom commercial alors que :</p> |
| <p>(i) the person knows or ought to know that the label or packaging is intended to be associated with goods or services that are not those of the owner of the registered trademark, and</p> | <p>(i) d'une part, elle sait ou devrait savoir que les étiquettes ou les emballages sont destinés à être associés à des produits ou services qui ne sont pas ceux du propriétaire de la marque de commerce déposée,</p> |
| <p>(ii) the sale, distribution or advertisement of the goods or services in association with the label or packaging would be a sale, distribution or advertisement in association</p> | <p>(ii) d'autre part, la vente, la distribution ou l'annonce des produits ou services en liaison avec les étiquettes ou les emballages constituerait une vente, une distribution ou une</p> |

with a confusing trademark or trade name; or	annonce en liaison avec une marque de commerce ou un nom commercial créant de la confusion;
(d) manufactures, causes to be manufactured, possesses, imports, exports or attempts to export any label or packaging, in any form, bearing a trademark or trade name, for the purpose of its sale or distribution or for the purpose of the sale, distribution or advertisement of goods or services in association with it, if	d) soit fabrique, fait fabriquer, a en sa possession, importe, exporte ou tente d'exporter des étiquettes ou des emballages, quelle qu'en soit la forme, portant une marque de commerce ou un nom commercial, en vue de leur vente ou de leur distribution ou en vue de la vente, de la distribution ou de l'annonce de produits ou services en liaison avec ceux-ci, alors que :
(i) the person knows or ought to know that the label or packaging is intended to be associated with goods or services that are not those of the owner of the registered trademark, and	(i) d'une part, elle sait ou devrait savoir que les étiquettes ou les emballages sont destinés à être associés à des produits ou services qui ne sont pas ceux du propriétaire de la marque de commerce déposée,
(ii) the sale, distribution or advertisement of the goods or services in association with the label or packaging would be a sale, distribution or advertisement in association with a confusing trademark or trade name.	(ii) d'autre part, la vente, la distribution ou l'annonce des produits ou services en liaison avec les étiquettes ou les emballages constituerait une vente, une distribution ou une annonce en liaison avec une marque de commerce ou un nom commercial créant de la confusion.
(1.01) An infringement under paragraph (1)(b) is presumed, unless the contrary is proven, if a person who is not entitled to use a registered trademark imports goods on a commercial scale that bear a	(1.01) Est réputé, sauf preuve contraire, une violation aux termes de l'alinéa (1)b) le fait pour une personne qui est non admise à employer une marque de commerce déposée d'importer à l'échelle

trademark that is identical to, or cannot be distinguished in its essential aspects from, the trademark registered for such goods.

commerciale des produits qui portent une marque de commerce identique à la marque de commerce déposée à l'égard de tels produits ou impossible à distinguer de celle-ci dans ses aspects essentiels.

[108] In *Bean Box Inc v Roasted Bean Box Inc*, 2022 FC 499 at paras 18–19, the Court noted the distinction between sections 19 and 20:

[18] Infringement under section 19 is distinct from infringement under section 20. Section 19 is concerned with the use by a defendant of a trademark that is identical to the plaintiff's registered trademark; the exclusive right that it protects is the right to the trademark as registered. Section 20 is broader in scope; it captures use by a defendant of a trademark that is confusing in light of, but not necessarily identical to, the plaintiff's registered mark [*Sandhu Singh Hansard Trust v. Navsun Holdings Ltd.*, 2019 FCA 295 at paragraph 20].

[19] The relevant question in assessing the section 19 claim, therefore, is not whether the Respondent's mark is confusingly similar to the Applicant's registered mark, but whether the two marks are identical.

[109] In the present case, as noted above, Balsam used the very same trademarks in their promotion and on their website and represented to their customers that the products and services were those of Pollogen. Balsam does not dispute that Pollogen owned the trademarks or that DermaSpark is the authorized distributor of Pollogen products in Canada and that only DermaSpark is authorized to use the trademarks.

[110] In addition, if there were any doubt about the marks (with the exception of Balsam referring to a 3-in-1 facial, rather than the 3-in-1 super facial) being identical, they would

certainly be confusing. A customer seeking an OxyGeneo facial treatment at Balsam Spa or presented with the option to have an OxyGeneo facial treatment would readily assume that this was the treatment advertised and promoted by DermaSpark.

[111] The evidence supports finding that Balsam has infringed DermaSpark's rights pursuant to sections 19 and 20 of the *Trademarks Act*.

XII. Have Balsam's acts diminished the goodwill of DermaSpark contrary to section 22 of the Trademarks Act?

[112] Subsection 22(1) states:

22 (1) No person shall use a trademark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.	22 (1) Nul ne peut employer une marque de commerce déposée par une autre personne d'une manière susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à cette marque de commerce.
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[113] In *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23, at para 46 [*Veuve Clicquot*], the Supreme Court of Canada set out the four elements that must be established to make out a claim under section 22:

[...] Firstly, that a claimant's registered trade-mark was used by the defendant in connection with wares or services — whether or not such wares and services are competitive with those of the claimant. Secondly, that the claimant's registered trade-mark is sufficiently well known to have significant goodwill attached to it. Section 22 does not require the mark to be well known or famous (in contrast to the analogous European and U.S. laws), but a defendant cannot depreciate the value of the goodwill that does not exist. Thirdly, the claimant's mark was used in a manner *likely* to have an effect on that goodwill (i.e., linkage) and

fourthly that the *likely* effect would be to depreciate the value of its goodwill (i.e., damage). [Italics in original;]

[114] In *Veuve Clicquot* at paras 50–54, the Supreme Court of Canada noted that goodwill “connotes the positive association that attracts customers towards its owner’s wares or services rather than those of its competitors” and set out several factors to be considered, including its “fame,” the extent of recognition of the mark, the extent and duration of advertising and publicity, the degree of inherent or acquired distinctiveness, and the extent to which the mark is identified with a particular quality.

[115] As the Court noted in *Subway IP LLC v Budway, Cannabis & Wellness Store*, 2021 FC 583 at paras 43 [*Subway*]:

[43] Damage caused by the depreciation of the goodwill can stem from the blurring of brand image, or a “whittling away” of the registered trademark’s power to distinguish the owner’s products: *Veuve Clicquot* at paras 63–64. Subway has no control over the character and quality of the respondents’ goods and services, and the respondents’ use of its BUDWAY trademark results in blurring of the SUBWAY brand image and reduction in its ability to distinguish Subway’s goods and services.

[116] In *1196278 Ontario Ltd (Sassafras) v 815470 Ontario Ltd (Sassafras Coastal Kitchen and Bar)*, 2022 FC 116 at para 98, the Court noted that:

[98] The goodwill associated with a trademark can be depreciated in various ways. These include disparagement, use of the mark in a manner that is likely to adversely impact upon its reputation in the market, blurring the image of the mark, “whittling away” the mark’s power to distinguish the owner’s products, eroding the trademark owner’s ability to control the manner in which the mark is used, free-riding on the reputation of the mark, and diverting sales away from the owner’s products: *Veuve Clicquot*, above, at paras 63–64; *Cheung v Target Production Ltd*,

2010 FCA 255 at paras 26–28; *Toys “R” Us*, above, at paras 61–62; *A&W*, above, at paras 88–91; *Orkin Exterminating Co v Pestco Co of Canada* (1985), 50 OR (2d) 726 at paras 46–49 (CA).

[117] DermaSpark notes that it has provided evidence to establish that the trademarks are registered (this is not disputed) and are well known and that Balsam’s use of the trademarks resulted in DermaSpark being unable to control the quality of the goods and services it has built its reputation on. DermaSpark adds that Pollogen’s products are regulated by Health Canada and that unregulated products put the consumer at risk, which in turn tarnishes the goodwill and reputation of Pollogen as the trademark owner.

[118] DermaSpark also submits that Balsam’s use of the Pollogen trademarks diluted the goodwill in the trademarks because Balsam’s products and services were of a lesser quality.

[119] Mr. Ben-Shlomo explained how the goodwill of the Pollogen trademarks and products would be diminished by the use of Balsam (or by any infringer) including that customers who do not receive the benefits of the genuine treatments complain to DermaSpark and customers who suffer damage to their skin also complain, with justification. Both scenarios affect the reputation and goodwill of DermaSpark and the Pollogen products. In addition, Balsam’s use of Pollogen’s marks, copied on Balsam’s website, would blur or whittle away the ability to distinguish the genuine products. Mr. Ben-Shlomo also highlighted the dangers of unlicensed medical devices and counterfeit products to the consumer. He noted that DermaSpark receives complaints from customers of unlicensed spas.

[120] Mr. Ben-Shlomo added that the damages go well beyond those of accounting for lost profits; the impact includes the lost sale of a genuine machine and products, damage to reputation and the impact on other businesses when a competitor using a cheap counterfeit offers cheaper services.

[121] DermaSpark has met their burden to show that Balsam's act diminished the goodwill of the Plaintiffs.

XIII. Damages and Injunctive Relief

A. *Statutory Damages for Breach of Copyright*

[122] The *Copyright Act* provides for statutory damages at section 38.1. Subsections 38.1(1), (3) and (5) provide:

38.1 (1) Subject to this section, a copyright owner may elect, at any time before final judgment is rendered, to recover, instead of damages and profits referred to in subsection 35(1), an award of statutory damages for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally,

(a) in a sum of not less than \$500 and not more than \$20,000 that the court

38.1 (1) Sous réserve des autres dispositions du présent article, le titulaire du droit d'auteur, en sa qualité de demandeur, peut, avant le jugement ou l'ordonnance qui met fin au litige, choisir de recouvrer, au lieu des dommages-intérêts et des profits visés au paragraphe 35(1), les dommages-intérêts préétablis ci-après pour les violations reprochées en l'instance à un même défendeur ou à plusieurs défendeurs solidairement responsables :

a) dans le cas des violations commises à des fins commerciales, pour toutes les

considers just, with respect to all infringements involved in the proceedings for each work or other subject-matter, if the infringements are for commercial purposes; and

(b) in a sum of not less than \$100 and not more than \$5,000 that the court considers just, with respect to all infringements involved in the proceedings for all works or other subject-matter, if the infringements are for non-commercial purposes.

[...]

(3) In awarding statutory damages under paragraph (1)(a) or subsection (2), the court may award, with respect to each work or other subject-matter, a lower amount than \$500 or \$200, as the case may be, that the court considers just, if

violations — relatives à une oeuvre donnée ou à un autre objet donné du droit d'auteur —, des dommages-intérêts dont le montant, d'au moins 500 \$ et d'au plus 20 000 \$, est déterminé selon ce que le tribunal estime équitable en l'occurrence;

b) dans le cas des violations commises à des fins non commerciales, pour toutes les violations — relatives à toutes les oeuvres données ou tous les autres objets donnés du droit d'auteur —, des dommages-intérêts, d'au moins 100 \$ et d'au plus 5 000 \$, dont le montant est déterminé selon ce que le tribunal estime équitable en l'occurrence.

[...]

(3) Dans les cas où plus d'une oeuvre ou d'un autre objet du droit d'auteur sont incorporés dans un même support matériel ou dans le cas où seule la violation visée au paragraphe 27(2.3) donne ouverture aux dommages-intérêts préétablis, le tribunal peut, selon ce qu'il estime équitable en l'occurrence, réduire, à l'égard de chaque oeuvre ou autre objet du droit d'auteur, le montant minimal visé à l'alinéa (1)a) ou au paragraphe (2), selon le cas, s'il est d'avis que même s'il accordait le montant minimal de dommages-intérêts préétablis le montant total de ces dommages-intérêts serait

extrêmement disproportionné
à la violation.

(a) either

(i) there is more than one
work or other subject-matter
in a single medium, or

(ii) the award relates only to
one or more infringements
under subsection 27(2.3); and

(b) the awarding of even the
minimum amount referred to
in that paragraph or that
subsection would result in a
total award that, in the court's
opinion, is grossly out of
proportion to the
infringement.

[...]

(5) In exercising its discretion
under subsections (1) to (4),
the court shall consider all
relevant factors, including

(a) the good faith or bad faith
of the defendant;

(b) the conduct of the parties
before and during the
proceedings;

(c) the need to deter other
infringements of the copyright
in question; and

(d) in the case of
infringements for non-
commercial purposes, the
need for an award to be
proportionate to the

[...]

(5) Lorsqu'il rend une
décision relativement aux
paragraphe (1) à (4), le
tribunal tient compte
notamment des facteurs
suivants :

a) la bonne ou mauvaise foi
du défendeur;

b) le comportement des
parties avant l'instance et au
cours de celle-ci;

c) la nécessité de créer un
effet dissuasif à l'égard de
violations éventuelles du droit
d'auteur en question;

d) dans le cas d'une violation
qui est commise à des fins non
commerciales, la nécessité
d'octroyer des dommages-
intérêts dont le montant soit

<p>infringements, in consideration of the hardship the award may cause to the defendant, whether the infringement was for private purposes or not, and the impact of the infringements on the plaintiff.</p>	<p>proportionnel à la violation et tienne compte des difficultés qui en résulteront pour le défendeur, du fait que la violation a été commise à des fins privées ou non et de son effet sur le demandeur.</p>
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[123] In *Rallysport Direct LLC v 2424508 Ontario Ltd. et al*, 2020 FC 794, [*Rallysport*] at paras 6-10, the Court explained the principles applicable to the imposition of statutory damages, noting at paras 6-10:

[6] Statutory damages recognize that actual damages often are difficult to prove; they incentivize copyright owners to invest and enforce their copyright on the one hand, and deter infringers by preventing their unjust enrichment on the other: *Telewizja Polsat SA v Radiopol Inc*, 2006 FC 584 [*Telewizja*] at para 40. Determining a quantum of damages is not a precise science: *Century 21 Canada Limited Partnership v Rogers Communications Inc*, 2011 BCSC 1196 [*Century 21*] at para 387, citing *Pinewood Recording Studios Ltd v City Tower Development Corp (1996)*, 31 CLR (2d) 1. Rather, statutory damages involve a case by case assessment of all relevant circumstances in order to achieve a just result: *1422986 Ontario Limited v 1833326 Ontario Limited*, 2020 ONSC 1041 [*1422986 Ontario*] at para 100; *Young v Thakur*, 2019 FC 835 [*Young*] at para 46; *Collett v Northland Art Company Canada Inc*, 2018 FC 269 [*Collett*] at para 59. Evidence demonstrating the ease with which copyright infringement can be accomplished using modern technology may compel the need to deter further infringements: *Collett*, above at para 63.

[7] The prescribed range of \$500 minimum to \$20,000 maximum per work for commercial infringements can be reduced “where there is more than one work in a single medium **and** where awarding the minimum per work would yield a total award that is grossly out of proportion to the infringement” [emphasis added]: *Telewizja*, above at para 39. On a plain reading of *Copyright Act* s 38.1(3), this two-part test is conjunctive. Any suggestion to the contrary in the Summary Judgment at para 65 was unintended.

[8] Some cases suggest that statutory damages should be tied to actual or probable damages, even though *Copyright Act* s 38.1 is not limited in this manner: *Telewizja*, above at paras 41-45; *Trader*, above at para 56; *Pinto v Bronfman Jewish Education Centre*, 2013 FC 945 at para 195. I agree with the principle, however, that “probable damages [are] not determinative and the use of such estimates in determining statutory damages is [but] one means of ensuring that any damages award is fair and proportionate”: Ronald Dimock, *Intellectual Property Disputes: Resolutions & Remedies* (Toronto: Thomson Reuters Canada, 2016) (loose-leaf revision 5), ch 3 at p 3-38, as cited in *Young*, above at para 57, and *Royal Conservatory of Music v Macintosh (Novus Via Music Group Inc)*, 2016 FC 929 [*Royal Conservatory*] at para 120. I find this principle consistent with *Copyright Act* s 38.1(5), which provides that in exercising its discretion (i.e. to reduce the minimum amount of the statutory damages award per work), the Court must consider all relevant factors, including the good or bad faith of the defendant, the parties’ conduct before and during the proceedings, and the need to deter future copyright infringements.

[9] Actual and statutory damages should not be conflated. Statutory damages are not intended to be 1:1 proportional with provable “but-for” losses; rather, they can encompass both provable economic losses and additional factors such as deterrence: *Young*, above at paras 54-55; *Royal Conservatory*, above at paras 118-122.

[10] What constitutes bad faith is contextual and may include the following: (i) ignoring a cease and desist letter (*Microsoft Corporation v PC Village Co Ltd*, 2009 FC 401 [*PC Village*] at paras 33-35; *Century 21* at para 416); (ii) repeatedly infringing different products (*Twentieth Century Fox Film Corp v Hernandez*, 2013 CarswellNat 6160); (iii) scraping or copying photos directly from a website (*Trader*, above at para 61); (iv) ignoring offers not to litigate if they cease infringement (*Telewizja*, above at para 50); and (v) using a false name to avoid being detected (*Collett*, above at para 64).

[124] In *Rallysport*, the Court noted, at paras 12–13, that the defendants have the burden of establishing that a total award of statutory damages sought would be “grossly out of proportion to the infringement,” which would encompass being too high or too low. Justice Fuhrer noted the

lack of guiding jurisprudence and found that the jurisprudence on the meaning of “grossly disproportionate” in the context of section 7 of the *Canadian Charter of Rights and Freedoms* was helpful and that an individualized analysis is called for.

[125] In the present case, DermaSpark originally sought \$16,000 per infringement of copyright in five works, resulting in a claim of \$80,000. At trial, DermaSpark agreed that this amount was too high, taking into account the principles enunciated in *Rallysport*. DermaSpark now submits that although \$16,000 per infringement may be too high, the lower end of the scale, or the exceptionally low amount of \$200 per infringement, is also not just. DermaSpark notes that Balsam’s conduct was at least reckless, if not intentional. DermaSpark further submits that if a lower amount per infringement is awarded, the Court should also award punitive damages.

[126] Balsam submits that if any damages are awarded for breach of copyright, the damages should be only a single amount in the range of \$200-\$500. Balsam submits that the Court should consider that Balsam’s conduct was not deliberate.

[127] Balsam’s submissions on damages overlook and conflate the distinction between breach of copyright and trademark infringement. Balsam again focusses on the OxyGeneo machine and submits that damages should be assessed only with respect to Balsam’s use of this machine. This ignores the fact that Balsam used DermaSpark’s works in promotional materials and that statutory damages for breach of copyright may be imposed on a “per work” basis.

[128] I find that Balsam has breached the copyright in five works. Balsam has not established that an award pursuant to subsection 38.1(1) would be grossly disproportionate. I have considered all relevant factors, including: the need to deter copyright infringement; Balsam's reckless or willfully blind behaviour and lack of due diligence in purchasing via Alibaba, despite being aware of DermaSpark's products in Canada and their price; and, also acknowledge that Balsam appears to have promptly complied with DermaSpark's demand to cease using the products after January 30, 2020 and removed promotional material from the Balsam website. I find that \$1,000 per infringement for a total of \$5,000 for statutory damages for breach of copyright is appropriate. This amount is not grossly disproportionate to the infringements that have been established.

B. *Damages for Trademark Infringement*

[129] DermaSpark seeks \$100,000 in damages for trademark infringement, encompassing passing off, depreciation of goodwill and unfair competition.

[130] DermaSpark points to *Louis Vuitton SA v Yang*, 2007 FC 1179 [*Louis Vuitton*], where the Court noted the approach established in *Nike Canada v Goldstar Design Ltd et al*, no T-1951-95 (FCTD) [*Nike*], to determine lump sum damages. DermaSpark submits that, applying the scale set out in the jurisprudence, Balsam would be a "conventional retail premise," which supports an amount of \$6,000 per infringement in 1997 dollars. DermaSpark adds that the \$6,000 amount established in *Nike* and adopted in *Louis Vuitton* adjusted for inflation would have been approximately \$7,200 in 2007 and would be \$8,500 today. DermaSpark further notes that there are at least 45 infringements (website advertising, five Facebook posts with videos, audio

recording of a customer requesting and being offered an OxyGeneo facial, plus the list of services sold by Balsam as reflected in Ms. Patel's exhibit). DermaSpark notes that this calculation exceeds the \$100,000 damages it seeks.

[131] DermaSpark submits that, alternatively, the Court may award nominal damages. DermaSpark notes that nominal damages are appropriate where the evidence of the extent of the prejudice to the plaintiff, in this case DermaSpark, is difficult to quantify. DermaSpark acknowledges that the jurisprudence demonstrates that the range of nominal damages is between \$15,000–\$25,000 (see for example, *Trans-High Corporation v Conscious Consumption Inc et al*, 2016 FC 949 [*Trans-High*]; *Toys "R" Us (Canada) Ltd v Herbs "R" Us Wellness Society*, 2020 FC 682) [*Toys "R" Us*].

[132] DermaSpark submits that five different trademarks or five "brands" were infringed, unlike in the cases relied on where the trademarks or wordmarks referred to the same brand (*Trans-High*; *Subway*). DermaSpark argues that any award for nominal damages should be per brand.

[133] Balsam submits that because there is no evidence of actual damages to DermaSpark, any damages should be nominal and small. Balsam notes the amounts awarded in *Vachon Bakery Inc v Racioppo*, 2021 FC 308 [*Vachon Bakery*] (\$10,000), *Teavana Corporation v Teayama Inc*, 2014 FC 372 (\$10,000) and *H-D USA, LLC v Varzari*, 2021 FC 620 [*Harley-Davidson*] (\$13,000), but submits that these amounts are too high. Balsam again submits that if there had been any infringement of a trademark it was only with respect to the OxyGeneo machine.

Balsam adds that they netted only \$2,019 from the OxyGeneo treatments. Balsam submits that the loss to DermaSpark is only the lost sale of one machine. Balsam again submits that if Balsam purchased and used a counterfeit machine, this was an innocent mistake and any damages awarded should so reflect. Balsam submits that \$2,000 would be an appropriate amount for nominal damages.

[134] Balsam's contention that only one trademark was infringed is incorrect, as the evidence reveals.

[135] In *Toys "R" Us* the Court found at para 67:

[67] Toys "R" Us seeks compensatory damages in the amount of \$25,000. It has not filed any evidence of actual monetary damage beyond the evidence of likely depreciation of its goodwill, so it seeks "nominal" damages, while asserting that nominal damages need not mean "small": *Decommodification LLC v Burn BC Arts Cooperative*, 2015 FC 42 at para 14. Toys "R" Us points to this Court's recognition that in the passing off context, the Court may award damages for loss of goodwill without proof of actual damage: *Teavana Corporation v Teayama Inc*, 2014 FC 372 at paras 39–41. They also point to the need for a deterrent effect associated with such a damages award citing Justice Hughes' observation in paragraph 14 of *Decommodification* that such damages "are usually based on an estimate of losses including an amount sufficient to serve as a deterrent to others contemplating similar activities."

[68] While Toys "R" Us points to the \$25,000 damages award made by Justice Manson in *Trans-High*, I believe this to be on the high end of similar damages awarded by this Court. I consider it appropriate to recognize that Toys "R" Us has experienced some depreciation of the goodwill in its mark, and appropriate to consider the deterrent effect of a non-trivial damages award. In the circumstances, I assess damages in the amount of \$15,000, payable by Herbs "R" Us.

[136] As in *Toys “R” Us*, DermaSpark has not provided evidence of actual monetary damages. However, the lost sale of even one OxyGeneo machine would be \$22,000 (accepting Mr. Ben-Shlomo’s evidence). DermaSpark has shown the depreciation of goodwill, loss of control of its marks and the likely loss of business from those buying counterfeit goods.

[137] The jurisprudence guides that where actual damages are difficult to establish, as in the present case, including because there have been no discoveries, nominal damages may be the appropriate approach to damages.

[138] If the Court were to impose an amount between \$15,000 and \$25,000 as nominal damages, multiplied by five “brands” as suggested by DermaSpark, the amount would fall between \$75,000 and \$125,000. As noted above, DermaSpark submits that \$100,000 is an appropriate amount for nominal damages. However, DermaSpark has not directed me to any authority for this novel approach of awarding nominal damages per trademark “brand.” In addition, awarding nominal damages totalling \$100,000, rather than lump sum damages, for which the same amount is sought, blurs the distinction between the lump sum damages as requested and the alternative of awarding nominal damages, although the approach to reach the amount differs.

[139] The total amount sought by DermaSpark as nominal damages is excessive. On the other hand, the amount suggested by Balsam is far too low and would not acknowledge that DermaSpark has clearly suffered damages, including from lost sales of machines and related products and to their reputation and would not acknowledge that a damage award should be more

than a slap on the wrist. DermaSpark has established the depreciation of goodwill, loss of control of its trademarks and the likely loss of business from those buying counterfeit goods. There is a need to deter the conduct of those who take risks with counterfeit products that damage the reputation of the trademark owner and may cause even greater damage to the customer who is provided with counterfeit products. As noted above, the jurisprudence cited suggests a range of \$15,000 to \$25,000, but this is always a case-by-case determination. In the present case, I find that \$20,000 is an appropriate award of nominal damages.

C. Punitive Damages for Copyright and Trademark Infringement

[140] DermaSpark also seeks punitive (also known as exemplary) damages from Balsam to acknowledge that Balsam's conduct was either intentional or willfully blind and that damages should send the message that this conduct will not be tolerated and that damage awards for infringement cannot be chalked up to a cost of doing business.

[141] DermaSpark seeks punitive damages of \$40,000 for both the trademark and copyright infringement.

[142] DermaSpark submits that Balsam was aware of Pollogen and DermaSpark's reputation and traded on that through their misrepresentations. DermaSpark also highlights that the OxyGeneo device is a Class III medical device requiring a licence by Health Canada and that Balsam's use of a counterfeit machine risked the health and safety of Balsam's customers (or anyone who uses an unlicensed and unregulated machine and products).

[143] DermaSpark submits that Balsam’s conduct was planned and deliberate, in that Ms. Patel was impressed with DermaSpark’s products, wanted to purchase the products, but did not want to pay the cost. DermaSpark suggests that Ms. Patel’s intent was to save costs by purchasing via Alibaba at a very low price, which should have alerted her to the counterfeit nature of the products. DermaSpark adds that Balsam used the counterfeit products for two years.

[144] Balsam argues that punitive damages are not warranted because their conduct was not “malicious, high handed, outrageous, or highly reprehensible” (*Harley-Davidson* at para 66).

[145] In *Biofert Manufacturing Inc v Agrisol Manufacturing*, 2020 FC 379 [*Biofert*], the Court, McVeigh J., addressed the imposition of punitive damages at paras 226-227:

[226] Punitive damages are reserved for situations of “malicious, oppressive, and high-handed” conduct that “offends the court’s sense of decency” (*Hill v Church of Scientology of Toronto*, [1995] 2 SCR 1130 at para 196). The purposes of these damages are retribution, deterrence, and denunciation. Punitive damages are only to be awarded if compensatory damages are insufficient to accomplish these objectives (*Whiten* at para 94). *Whiten* at para 113 sets out several factors that “may” influence the level of blameworthiness (citations omitted):

- (1) whether the misconduct was planned and deliberate;
- (2) the intent and motive of the defendant;
- (3) whether the defendant persisted in the outrageous conduct over a lengthy period of time;
- (4) whether the defendant concealed or attempted to cover up its misconduct;
- (5) the defendant’s awareness that what he or she was doing was wrong;

(6) whether the defendant profited from its misconduct;

(7) whether the interest violated by the misconduct was known to be deeply personal to the plaintiff.

[227] In addition to blameworthiness, the award must be proportionate to the degree of vulnerability of the Plaintiff, the harm directed at the Plaintiff, the need for deterrence, and the advantage wrongfully gained, and it must also be appropriate in light of the other penalties likely being inflicted for the same misconduct (*Whiten* at paras 114–125).

[146] I find that Ms. Patel’s evidence demonstrates that she was reckless in her purchase and ignored red flags that would have alerted a reasonable buyer to make inquiries and/or to not purchase the products. She was aware of the price of the OxyGeneo machine and accompanying products and she wanted these OxyGeneo products to enhance the services provided to her clients. However, she did not want to pay the price. Her goal appears to have been to find similar products at a lower price, given that she stated that she looked on eBay and Amazon and did not find them, then turned to Alibaba after her husband found, what Ms. Patel contended were the same products. Balsam used the counterfeit products for two years. Ms. Patel’s attitude regarding the need for a Class III medical license was cavalier. The net revenue from the counterfeit products and services, as set out in the exhibit provided, was approximately \$2,000. It does not appear from the sales record of clients that received the purported OxyGeneo treatments that Balsam enjoyed significant profits from their infringing conduct. Although there is no evidence to confirm Ms. Patel’s statement that the machine was disposed of, there is no suggestion that the counterfeit machine still exists or that Balsam used it after January 30, 2020, or at the latest, March 2, 2022. Ms. Patel continued to deny infringement until the hearing of DermaSpark’s

claim. As noted, Ms. Patel's evidence was inconsistent, vague and evasive. She is not simply naïve; she is a business owner with responsibilities that she ignored.

[147] I find that the statutory damages (\$5,000) and nominal damages (\$20,000) awarded are not sufficient to sanction Balsam's conduct. Given all the relevant factors, punitive damages of \$20,000 are warranted.

XIV. Joint and Several Liability

[148] DermaSpark submits that Ms. Patel should be held jointly and severally liable because she made all the decisions, including to purchase counterfeit products, or products that a reasonable person would have realized were counterfeit due to the extremely low cost, the source and the mistakes in the names of the products on the invoice.

[149] Balsam submits that "merely being the directing mind of a company is not sufficient to establish personal liability" and "simply being the person who made the decision that a company would undertake acts that infringe is not enough. . ." (*Vachon Bakery*, at para 121).

[150] Balsam relies on excerpts and the ultimate finding in *Vachon Bakery*. However, the Court in *Vachon Bakery* applied the long-standing principles established in *Mentmore Manufacturing Co v National Merchandise Manufacturing Co.* (1978), 40 CPR (2d) 164, 89 BLR (3d) 195 (FCA) [*Mentmore*] to the facts before it, which differ from the present facts.

[151] In *Biofert* at paras 161–162, the Court noted the principles in *Mentmore*:

[161] The leading case on personal liability for infringements by a corporation is *Mentmore Manufacturing Co. v National Merchandise Manufacturing Co.* (1978), 40 CPR (2d) 164 (FCA) [*Mentmore*]. Justice Le Dain noted there is a “general rule” that officers, directors, and shareholders “enjoy the benefit of the limited liability afforded by incorporation” (*Mentmore* at 171). On the other hand, there is a “principle that everyone should answer for his tortious acts.” This is a case-specific balancing act, where “room must be left for a broad appreciation of the circumstances of each case to determine whether as a matter of policy they call for personal liability.” Justice Le Dain summarized the test (at 174):

... in my opinion there must be circumstances from which it is reasonable to conclude that the purpose of the director or officer was not the direction of the manufacturing and selling activity of the company in the ordinary course of his relationship to it but 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 it.

[162] The *Mentmore* test has been consistently applied by this Court to scrutinize the facts and to assess whether they meet the threshold for personal liability. The *Mentmore* test has also been adopted by the Supreme Court of Canada (*Cinar Corporation v Robinson*, 2013 SCC 73 at para 60). When there are multiple individuals behind a corporate veil, this Court has at times applied the *Mentmore* test to find some of the individuals personally liable and others not liable (*1429539 Ontario Ltd. v Café Mirage Inc.*, 2011 FC 1290 at paras 139–140; *Driving Alternative Inc. v Keyz Thankz Inc.*, 2014 FC 559 at paras 38–45).

[152] In *Trans-High*, the Court also relied on the *Mentmore* case and concluded at para 25:

[25] Having reviewed the evidence of the corporate Respondent’s corporate documents and social media postings, which clearly indicate that the two individual Respondents are the owners and directing minds of the corporate Respondent, and having found that their willful infringement of the Applicant’s trademarks rights cannot be a legitimate exercise of their corporate duties as officers, directors or the controlling minds of the corporate Respondent, I find each individual Respondent personally liable for the infringing activities described below.

[153] The guidance from *Mentmore* calls for a “case specific balancing act” that considers all the circumstances. In the present case, DermaSpark notes that Ms. Patel was the owner, operator, sole shareholder and directing mind of the corporation operating as Balsam Day Spa. Ms. Patel’s evidence is that she made all the decisions, although her husband helped as she requested. I agree that the evidence supports finding that Ms. Patel was the “directing mind” and operated the business in a very “hands-on” manner. As noted above, she contends that she “came across” a presentation by DermaSpark and was impressed. She stated that she decided to purchase the machine and that she looked on eBay and Amazon. She stated that she decided to purchase the products via Alibaba after being advised by her husband that this website offered a machine for sale. Her evidence is that she did not make any further inquiries, purchased the device, used it and also used DermaSpark’s promotional materials on Balsam’s website. She also acknowledged that she was aware of DermaSpark as the distributor of the machine, treatments and products in Canada. She contends that she did not see any warnings about counterfeit products on the Pollogen or DermaSpark website, but acknowledges that she did not look at the website at the time she purchased via Alibaba. The exhibits on the record establish that there were such warnings. The decisions made by Ms. Patel and no one else resulted in Balsam’s use of counterfeit products and breach of copyright. She was indifferent to the risks arising from her conduct and she should be responsible for the consequences. In these circumstances, Ms. Patel is jointly and severally liable for the damages awarded to DermaSpark.

XV. Injunctive Relief

[154] DermaSpark is also entitled to a permanent injunction to restrain Balsam and any of their employees, agents, licensees and others over whom they exercise authority from:

- directing public attention to their goods, services or business in such a way as to cause or likely cause confusion in Canada, at any time they commence so to direct public attention to them, between their services, goods or business and the services, goods or business of DermaSpark, contrary to paragraph 7(b) of the *Trademarks Act*.
- using any trademark registered or licensed exclusively to DermaSpark in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto contrary to subsection 22(1) of the *Trademarks Act*.

[155] DermaSpark is also entitled to an order requiring Balsam to deliver up or destroy the materials in their possession, power or control that are contrary to this Court's Order. Given that Balsam has stated that it disposed of the OxyGeneo machine and has no more products, DermaSpark seeks a sworn affidavit from Balsam attesting that Balsam has disposed of the counterfeit machine and products.

XVI. The Defendant (Balsam's) Counterclaim

[156] The counterclaim alleging an abuse of process by DermaSpark and seeking exemplary and/or punitive damages and costs is dismissed as it has no merit.

[157] Balsam's allegations that DermaSpark and Pollogen took no action and stood idly by while other infringers used their marks and misrepresented their products is a bald allegation, which DermaSpark has refuted and has provided evidence in support. DermaSpark points to the warnings on the Pollogen website, clear to anyone who reads the website with care.

Mr. Gurevitch notes that Pollogen was aware of infringers but not that they ignored this conduct.

Mr. Ben-Shlomo provided evidence of DermaSpark's monitoring and enforcement of infringements, including a significant amount of litigation. Balsam's submission that other claims were discontinued without costs does not establish that DermaSpark did not pursue infringers; Mr. Ben-Shlomo noted that several matters were settled.

[158] Balsam's assertion that it purchased a "real" machine, did not breach any rights or that DermaSpark lost copyright or did not suffer any damage is without any merit.

[159] Balsam's allegation—that DermaSpark lay in the weeds to later extort money from small businesses by pushing the real products and threatening legal action—is a reckless and unsupported allegation.

XVII. Costs of this Motion

[160] The parties request and the Court agrees that submissions on costs may be made in writing. The written submissions shall not exceed five pages. Any joint submissions shall be submitted within 20 days of the issuance of this judgment. If the parties do not make joint submissions, the submissions of DermaSpark shall be filed within 20 days and the responding submissions of Balsam shall be filed within 5 days thereafter.

[161] With respect to DermaSpark's claim for prejudgment interest, the Court notes that DermaSpark issued the statement of claim on March 11, 2020. Several months passed without further action. In December 2021, the parties requested that the Court not set dates for the trial.

Given the various delays in moving this matter forward, it would not be fair to impose prejudgment interest from the date of March 11, 2020. Prejudgment interest is imposed from the date of the issuance of the Second Amended Statement of Claim, February 2, 2022.

JUDGMENT in T-1308-20

THIS COURT'S JUDGMENT is that:

1. The Court declares that the Defendants, jointly and severally:
 - i. Have infringed the Plaintiffs' copyright contrary to section 27 of the *Copyright Act*, RSC 1985, c C-42, as amended;
 - ii. Have directed public attention to their services or business in such a way to cause or be likely to cause confusion in Canada, at the time they commenced so as to direct public attention to them, between their goods, services or business and the goods, services or business of the Plaintiffs contrary to paragraph 7(b) of the *Trademarks Act*;
 - iii. Have passed off other goods and services as and for those ordered or requested contrary to paragraph 7(c) of the *Trademarks Act*, RSC 1985, c T-13;
 - iv. Have used the Plaintiffs' trademarks in a manner that is likely to have the effect of depreciating the value and goodwill attaching thereto and create unfair competition, contrary to subsection 22(1) of the *Trademarks Act*;
 - v. Have infringed sections 19 and 20 of the *Trademarks Act*;
2. The Defendants and their respective officers, directors, employees, agents, licensees, heirs, estates, assigns and all others over whom any of the foregoing exercise authority are permanently enjoined from directly or indirectly:

- i. Directing public attention to their services, goods or business in such a way to cause or be likely to cause confusion in Canada between their services, goods or business and the services, goods or business of the Plaintiffs, contrary to paragraph 7(b) of the *Trademarks Act*;
 - ii. Using any trademark registered by or licensed exclusively to the Plaintiffs in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto contrary to subsection 22(1) of the *Trademarks Act*.
3. The Defendants shall deliver up or destroy under oath materials in their possession, power or control that are contrary to any order granted by the court, in accordance with section 53.2 of the *Trademarks Act*;
4. The Defendants shall provide the full name and contact information, including addresses and telephone numbers, of the entity or entities from whom the Defendants obtained all infringing products at issue in this action;
5. The Defendants shall jointly and severally pay to the Plaintiffs forthwith damages in the amount of \$45,000 representing:
 - statutory damages in the amount of \$5,000 for copyright infringement the total of all breaches;
 - compensatory (nominal) damages in the amount of \$20,000 for trademark infringement, passing off, depreciation of goodwill and unfair competition;

- punitive or exemplary damages in the amount of \$20,000.
6. The Defendants shall jointly and severally pay to the Plaintiffs:
- prejudgment interest from February 2, 2022 pursuant to the *Federal Courts Act*, RSC 1985, c F-7 as amended, compounded half yearly at a rate of 2% above prime; and,
 - post-judgment interest pursuant to the *Federal Courts Act* compounded half yearly at a rate of 2% above prime.
7. The Defendants' counterclaim is dismissed.

"Catherine M. Kane"

Judge

ANNEX A

The Evidence

1. The Plaintiffs' Evidence

A. *Mr. Moshe Gurevitch*

1. Mr. Gurevitch is the Vice President of International Sales of Professional Products at Pollogen Inc., in Israel. He is responsible for managing Pollogen's worldwide distribution network.
2. Mr. Gurevitch attests that he never supplied any of Pollogen's products to Balsam. He states that DermaSpark is the only authorized distributor of Pollogen products in the Canadian market. Mr. Gurevitch states that the producers of the products purchased by Balsam online, Wuhan Gaze Laser Technology Co. Ltd [Wuhan] and/or Gracelaser Electronic Technology Co., Ltd. [Gracelaser] are Chinese infringers known to Pollogen. He also states that any alleged Pollogen device or alleged Pollogen products acquired from Wuhan and/or Gracelaser are counterfeit and are infringing devices and products, the manufacture and distribution of which was not authorized by Pollogen in Canada or elsewhere.
3. Mr. Gurevitch attaches a screen capture of Balsam's website with images, including the OxyGeneo logo, the Capsugen picture, the NeoBright picture and NeoRevive picture. Mr. Gurevitch states that these images were authored by Pollogen's employees and all rights in and to the images (the "works") are owned by Pollogen. He states that Balsam has no right to use Pollogen's works for any purpose.

4. In his oral testimony, Mr. Gurevitch further described the screen capture of Balsam's website noting that the text describing NeoBright and NeoRevive is also from Pollogen's website and marketing material. He underscored that Balsam's website copied Pollogen's works identically. On cross-examination, he acknowledged that companies that purchase Pollogen's products through its distributors are permitted to use these images to promote the products through an arrangement with the distributor.
5. Mr. Gurevitch explained that Pollogen has approximately 40 distributors under exclusive distribution agreements. He underscored that there is only one distributor of Pollogen products for each country (and each country is a "market") and there are no third-party manufacturers or third-party distributors. Mr. Gurevitch stated that DermaSpark is Pollogen's exclusive distributor in Canada and DermaSpark has the exclusive rights to protect Pollogen's intellectual property and expand its business. He noted that DermaSpark has been their most successful exclusive distributor.
6. On cross-examination, Mr. Gurevitch stated that he would not need to inspect Balsam's machine in order to confirm that it was counterfeit because Pollogen is the sole manufacturer and Wuhan and Gracelaser are not authorized distributors. He explained that he has not tracked how long Wuhan and Gracelaser have been selling counterfeit products, but is aware that there are eight to ten companies in China making "copycat machines."
7. Mr. Gurevitch noted that he can also tell the difference between an infringing device and a genuine device because of the "thousands of percentages difference" in pricing.

8. On cross-examination, Mr. Gurevitch confirmed that the OxyGeneo machine and its accompaniments are required to be licenced by Health Canada even though they are non-invasive, which he explained means that the skin is not pierced during the treatment.
9. In response to a question from Balsam's Counsel asking whether Balsam's machine could have been a real machine that had been stolen, Mr. Gurevitch stated that if the machine had a serial number matching a real machine, it could have been real and, if so, it would be up to DermaSpark to decide whether to supply products for it.

B. Mr. Moshe Ben-Shlomo

10. Mr. Ben-Shlomo is the Director of DermaSpark Products Inc. He attests that DermaSpark is the authorized distributor in Canada of Pollogen Ltd. He provided exhibits with respect to corporate, product, and intellectual property ownership information.
11. Mr. Ben-Shlomo states that since October 13, 2018, Balsam has offered, sold, performed, advertised and promoted Pollogen's OxyGeneo skin care services and its associated Pollogen's products, without any authorization, permission or licence, on Balsam's website. He attaches screen captures of Balsam's advertisements. Mr. Ben-Shlomo states that neither DermaSpark nor Pollogen ever supplied any of Pollogen's products to Balsam.
12. Mr. Ben-Shlomo adds that Balsam used pictures from Pollogen's and DermaSpark's websites to advertise and promote their counterfeits. He notes that the "before and after" pictures and the picture of the OxyGeneo machine were created by Pollogen and that the

Exfoliate/Infuse/Oxygenate picture is owned by DermaSpark. He attaches screen captures of Balsam's website and social media.

13. Mr. Ben-Shlomo attests that throughout January 2020, he had exchanges with Ms. Patel via email informing her of the counterfeit nature of Balsam's "OxyGeneo" machine. On January 30, 2020, he sent an email to Balsam (to Mr. Patel), asking for the counterfeit machine to be sent to him. Mr. Ben-Shlomo attaches copies of the emails and a recording of a telephone call from a potential customer successfully booking an appointment for the OxyGeneo facial.
14. Mr. Ben-Shlomo attests that he never attended at Balsam Spa to inspect the machine and he did not tell Balsam that they were using a real machine.
15. Mr. Ben-Shlomo notes that on March 2, 2020, his counsel served Balsam with a cease and desist letter. He attests that DermaSpark has been legally pursuing other infringers.
16. In his oral testimony, Mr. Ben-Shlomo explained that DermaSpark is a family run business in which he has invested time, effort and money. He stated that DermaSpark distributes products and devices of several brands and companies to the beauty industry across Canada. DermaSpark's clients include spas, aestheticians, and plastic surgeons, among others. He reiterated that DermaSpark is the only Canadian distributor of Pollogen products, including the OxyGeneo line, and has been since 2013.
17. Mr. Ben-Shlomo described DermaSpark's efforts to promote the OxyGeneo line by marketing "through every possible channel" including television, trade shows, fashion magazines, magazines for professionals, and now primarily through social media. He

noted that in addition to business-to-business advertising, DermaSpark engages in business-to-consumer advertising, which creates demand for DermaSpark's business clients.

18. Mr. Ben-Shlomo stated that DermaSpark makes sales presentations in Canada including at trade shows and to those who contact DermaSpark in response to advertising. He stated that DermaSpark would usually send a trainer to the interested buyer to demonstrate the machine and products and to teach the aesthetician how to use the machine. He explained that the trainer would certify that the aesthetician had been trained. He explained that the OxyGeneo is a Type III medical device regulated by Health Canada. Mr. Ben-Shlomo added that an aesthetician would not use an unlicensed machine due to insurance requirements.
19. Mr. Ben-Shlomo explained that Health Canada's website indicates whether certain devices are medical devices requiring a license and the licences issued for these devices. He stated that because of Health Canada regulations, DermaSpark has a record of where all their machines are located and their serial number, which permits him to contact buyers in the event of a recall and to identify fake devices.
20. On cross-examination, Mr. Ben-Shlomo explained that even non-invasive medical devices require a licence, and are regulated by Health Canada, for example, ultraviolet treatments and laser hair removal. He noted that the term "non-invasive" differentiates between invasive procedures that use needles or make incisions in the skin. He stated that every medical device needs a license and that Ms. Patel would have known this before receiving the cease and desist letter.

21. Mr. Ben-Shlomo also noted the public health risks from counterfeits. He attested that DermaSpark has been contacted by persons complaining of skin rashes from what they thought were Pollogen's treatments but were actually counterfeit treatments provided at clinics that were not supplied by DermaSpark.

22. Mr. Ben-Shlomo stated that DermaSpark monitors unauthorized uses of Pollogen's marks, which are registered in Canada and takes action as new infringements and counterfeits are discovered. Mr. Ben-Shlomo stated that DermaSpark is obligated to monitor infringement and protect the products under DermaSpark's agreement with Pollogen and that DermaSpark's enforcement actions are geographically limited to infringements in Canada. He stated that DermaSpark has not ignored any instances of infringement. He added that DermaSpark is engaged in litigation in the Federal Court and courts of Quebec, Ontario, British Columbia, and Alberta. He disputed that any cases had been discontinued without costs, noting that some had been resolved by other means.

23. Mr. Ben-Shlomo stated that DermaSpark is obligated to monitor infringement and protect the products under DermaSpark's agreement with Pollogen and that DermaSpark's enforcement actions are geographically limited to infringements in Canada. He added that preventing counterfeits is also part of their obligation to their clients who have paid for the OxyGeneo device (quoting the current price of \$22,000) and is necessary because of the dangers of fake devices.

24. Mr. Ben-Shlomo noted that as part of DermaSpark's efforts to prevent infringement, DermaSpark and Pollogen have enrolled in a monitoring program with the Canada Border Services Agency (CBSA) where the CBSA reports to DermaSpark on suspected

importation of the registered trademarks. He explained that he is notified of potential infringements and so far, all reported incidents had been infringers.

25. Mr. Ben-Shlomo stated that Pollogen's products cannot be found on western platforms, such as eBay and Facebook, which respect intellectual property rights. He noted that Pollogen has a whole team dedicated to taking action against infringers, but Chinese infringers, such as those who sell on Alibaba, pose challenges.
26. On cross-examination, Mr. Ben-Shlomo stated that DermaSpark's two websites, one for business and one for consumers, both have many warnings about counterfeits. He explained that these warnings have been on the website since DermaSpark discovered the first counterfeit in October 2017. He stated that these warnings should still be on the website since he has not instructed that the warnings be removed.
27. Mr. Ben-Shlomo noted that DermaSpark is Pollogen's best distributor (outperforming the US, UK, and Germany), which is notable considering Canada's smaller population. He explained that DermaSpark's efforts and success are negatively affected by unauthorized use. First, the brand is damaged when potential consumers hear about people who developed rashes from fake treatments or when customers do not experience the results they had anticipated. Second, spas that buy fake machines sell treatments at a lower cost because they incurred lower capital costs, but spas that purchase a genuine device cannot profit by offering the treatment prices that compete with those using counterfeits. Third, DermaSpark loses on the sales of machines and related products.
28. On cross-examination, Mr. Ben-Shlomo explained that the invoice for Balsam's machine indicates that a factory in China manufactured the products. He pointed to the "Trade

Terms” of the Gracelaser and Wuhan invoice, which refer to the sellers as a “factory.”

Mr. Ben-Shlomo stated that “factory” means manufacturing site.

29. Mr. Ben-Shlomo stated that he became aware of Balsam in 2020 when Ms. Patel phoned asking to purchase products. Mr. Ben-Shlomo stated that during the phone call he opened his database and saw that DermaSpark had not sold a machine to Balsam. He stated that he did not initially believe that Balsam had a counterfeit machine because he could not imagine that an aesthetician would use an unlicensed device. He explained that, initially, he wondered if this machine was one that had been previously stolen, in which case he would still provide products to Balsam. He stated that after speaking with Ms. Patel by phone and by email and learning how Balsam had purchased it, he realized the device was fake.
30. Mr. Ben-Shlomo emphasized that no genuine OxyGeneo product enters Canada other than through DermaSpark and that Pollogen cannot sell anything in Canada without going through DermaSpark. He noted that he has seen fakes and that apart from the outer shape of the device, the counterfeits are very different internally from the genuine machines.
31. On cross-examination, Mr. Ben-Shlomo clarified that during his first phone call with Ms. Patel, he did not ask for the serial number of the machine, so he followed up by email to ask for a picture of the back of the machine so that he could identify both the trainer and the serial number. Mr. Ben-Shlomo denied that he was trying to sell a minimum quantity of product to Balsam. He added that that he encouraged Balsam to buy

a real machine. He characterized this as giving Ms. Patel an opportunity to redeem herself.

32. When asked why there is no evidence to confirm that Balsam had a fake machine until January 30, 2020, Mr. Ben-Shlomo stated that he discussed this by phone with Ms. Patel's husband, who acknowledged that it was a fake device. Although Counsel for Balsam suggested that the email from Pollogen in August 2022 does not confirm that Balsam's machine is counterfeit, Mr. Ben-Shlomo pointed to the subject line of the email that states: "Re: Confirmation Devices are Counterfeit."
33. On cross-examination, Mr. Ben-Shlomo again denied ever attending Balsam Spa or personally meeting with Ms. Patel. Mr. Ben-Shlomo also confirmed that Balsam did not send a picture of the back of the machine and did not send the machine to DermaSpark as requested.
34. Mr. Ben-Shlomo explained the exhibit to his affidavit which shows screen captures of Balsam's website and explained that the "before-and-after" skin photos are taken from the Plaintiffs' website and marketing materials. He identified each photo and text as belonging to DermaSpark and Pollogen and noted the use of "TM" beside the name OxyGeneo. These images are displayed on a copy of DermaSpark's own website. Mr. Ben-Shlomo attested that the animation of "Exfoliate, Infuse, Oxygenate" was designed in 2015. He acknowledged that owners of real devices can use the advertising materials if the owner pays a transfer fee.

C. Ms. Allison J. Bran

35. Ms. Bran provided an affidavit attesting that she is a freelance visual designer at Rex Marketing. She stated that she regularly creates promotional material, visuals, and pamphlets for use online or in print by DermaSpark. She attests that she created an OxyGeneo pamphlet and authored the Exfoliate/Infuse/Oxygenate picture. Ms. Bran stated that she automatically transfers the rights of these works to DermaSpark in accordance with their mutual understanding of service for payment. She attests that she has no remaining rights to her creations.

2. The Defendants' Evidence

A. Ms. Binal Patel

36. Ms. Patel provided an affidavit attesting that she is the sole shareholder, director and employee of Yashvi Inc, which owns and operates Balsam Spa (aka Balsam Day Spa). Balsam Spa is a boutique full-service day spa in Newmarket, Ontario, established in 2014. Ms. Patel provided incorporation information, as well as invoices and sales information.

37. Ms. Patel confirmed this in her oral testimony. On cross-examination, she added that her husband helps sometimes by doing as she says, but she makes all the decisions.

38. In her affidavit, Ms. Patel states that in 2017 she "came across" a sales presentation by DermaSpark and decided to purchase the OxyGeneo machine and products to enhance the skincare services to Balsam's clients, but could not justify the price. She attests that around February 2018 she found "the same product" for sale online at a lower price. Ms. Patel states that Balsam purchased it and did not notice any difference between the

machine she had seen promoted and that she did not see any warnings from DermaSpark or Pollogen that online products were not the same as those promoted.

39. Ms. Patel attests that she contacted DermaSpark in January 2020 to purchase products and was then asked about her machine and the products she had purchased. She states that Mr. Ben-Shlomo then emailed her and stated that if the machine in her spa was “what we have spoken about,” then it was a real machine. Ms. Patel attests that Mr. Ben-Shlomo later asked for an image of the back of the machine to see who the trainer was. Ms. Patel acknowledges that she never sent the photo requested.

40. She attests that on March 2, 2020, upon receipt of a cease and desist letter from Counsel for DermaSpark directing Balsam to dispose of the machine and products, Balsam complied within two days. Ms. Patel states that she had the machine delivered to a waste disposal facility in Markham, Ontario. She attests that although Balsam did not agree that the products were counterfeit, the revenue generated by the products was not sufficient to warrant incurring the cost of litigation.

41. Ms. Patel attests that the net revenue earned in the period that Balsam used the machine was approximately \$2,000.

42. Ms. Patel states that “sometime later” Mr. Ben-Shlomo attended the spa to ensure compliance and told her that he would not take any action against Balsam and that the spa should buy the products from DermaSpark.

43. In her affidavit, Ms. Patel asserts that the machine purchased by Balsam was a real machine, but she cannot prove this because it was disposed of as demanded by DermaSpark.
44. Ms. Patel disputes that Balsam has breached any trademark or copyright of DermaSpark or Pollogen, and if so, that it was an innocent violation. Ms. Patel asserts that DermaSpark did not take any steps to stop the counterfeiting activities of others, that DermaSpark did not suffer any damages, and that DermaSpark is taking advantage of small businesses. She claims that DermaSpark has known for a long time that their products are sold on alternative platforms, yet have not taken action to protect business owners.
45. In her oral testimony, Ms. Patel referred to an exhibit listing all her clients who received the treatments. She stated that she personally encouraged most clients to try the OxyGeneo treatment and products and only a few independently called to request these treatments in response to Balsam's advertising.
46. On cross-examination she acknowledged that her husband prepared the exhibit from the software used by Balsam and she was present "somewhere" in the spa at the time. She agreed that the sales information was not verified by an auditor.
47. In her oral testimony, Ms. Patel stated that she met with Mr. Ben-Shlomo twice in person. She responded that this person was the same person she viewed in the hearing of this summary trial, which was hybrid (in person and by Zoom). She stated that Mr. Ben-Shlomo first came to the spa to promote the machine in 2017, but she could not recall when this occurred or whether he had an appointment. She stated that he

demonstrated the OxyGeneo machine on her. She was impressed with the treatment. She stated that he stayed for about an hour and quoted her a \$15,000 price for the real machine, which she found to be too expensive.

48. Ms. Patel stated that Mr. Ben-Shlomo attended the spa again “sometime” after the January 30, 2020 email but before the March 2, 2020, demand letter. Ms. Patel stated that he asked her if she still had the machine, which she did not. She added that he then quoted her a price of \$18,000 for the real machine.

49. In her oral testimony about her purchase of her machine via the Alibaba online website in 2018, Ms. Patel stated that the much lower price did not alert her about the product, because, in her opinion, everything costs more in Canada. When asked why she was aware of counterfeit designer products, such as handbags, but not medical devices, she responded that everyone knows about fake handbags.

50. On cross-examination, Ms. Patel acknowledged that she knew about DermaSpark and Pollogen at the time that she chose to buy the product via Alibaba. She stated that she used the Alibaba search bar to search OxyGeneo and found a product she thought was similar to the machine that had been demonstrated to her. She then clarified her response and stated that her husband first found the machine on Alibaba and she then looked it up. She confirmed that she paid \$550 (US) via Alibaba and had the machine shipped to her business address. She could not recall how long she waited for the machine to be delivered. She also responded that she did not take any other steps with respect to her purchase.

51. On cross-examination, Ms. Patel was directed to an exhibit attached to her affidavit that appeared to be a transcript of an exchange of communications between Balsam and the Alibaba seller on WhatsApp about the purchase. The exhibit was titled “Whats up chat with supplier.” Ms. Patel stated that her husband prepared the Alibaba invoice for her affidavit, including the reproduced WhatsApp chat with the supplier. She first stated that she was not present when her husband inserted the title on the document reflecting the WhatsApp chat, but stated that she was present when some of the chat occurred (which occurred on different days). She later stated that she was present when the title “Whats up chat with supplier.” was added by her husband. She could not recall what type of file the WhatsApp conversation was reproduced in or whether it was a screen capture. She responded that no exchanges were deleted from the chat, but she could not explain how she could be so confident given she was not present at all relevant times.
52. On cross-examination, Ms. Patel was asked about her statement that DermaSpark and Pollogen did not post any warnings about counterfeit products on their websites. She responded that in 2017 she looked at the website and did not see any warnings. She added that she did not look at the DermaSpark or Pollogen website before purchasing the machine via Alibaba in 2018.
53. In her oral testimony, Ms. Patel explained that in January 2020, the spa was in need of products for the OxyGeneo treatments. She called DermaSpark. She stated that Mr. Ben-Shlomo told her he would supply the products if she provided him with the name of the trainer noted on the back of her machine. She stated that she responded by telephone and advised him that there was no trainer listed, but relayed the serial number and stated that the machine was marked “Made in Israel.” She stated that Mr. Ben-Shlomo emailed her

later stating that she had a real machine (but did not acknowledge the opening words of the sentence stating that “[i]f this is what we have spoken about [which appears to be regarding a previously stolen machine] ... this is a real machine, please send me a photo of the back of the machine [...]”). Ms. Patel stated that given this response she did not think she was required to respond to a previous email from Mr. Ben-Shlomo requesting a photo of the back of the machine to verify the trainer. She stated that because there was no further contact from Mr. Ben-Shlomo, she contacted Pollogen directly seeking products. She added that she was “spooked” by the mention of legal action in the January 30, 2020 email and asked her husband to respond to Mr. Ben-Shlomo.

54. Ms. Patel stated that Mr. Ben-Shlomo told her husband that there was a \$5,000 minimum purchase required, and directed him to send the machine to DermaSpark and to buy a real machine. She stated that it was in Mr. Ben-Shlomo’s email following the call with her husband that he first stated that the machine was a fake. (There is no affidavit from Mr. Patel to support this.)

55. Ms. Patel stated that she never believed that her machine was fake or different from the machine that Mr. Ben-Shlomo demonstrated and that none of her customers complained. She again stated that upon receipt of the cease and desist letter, she disposed of the machine and took down all related advertisements within two days.

56. When asked about a request for an appointment for an OxyGeneo treatment from a person posing as a potential customer, Ms. Patel responded that one of her employees took this call and was not aware that the spa had stopped offering the OxyGeneo service following the cease and desist letter. Ms. Patel stated that when she phoned the customer

back to cancel the appointment, she discovered that the phone number was that of DermaSpark, and left a voice mail to cancel the appointment. She stated that the Spa has not provided the OxyGeneo treatment since receiving the cease and desist letter.

57. With respect to the need for a licence, Ms. Patel stated that she did not know that the OxyGeneo machine was a medical device. She stated her belief that, because the machine was non-invasive, it was not a medical device and did not require any licence. She stated that she phoned Health Canada to ask if she had to register to get licences, but was told over the phone that this was not required. On cross-examination, she stated that she had no written record of this exchange, and could not recall the Health Canada agent's name or number.

58. On cross-examination, Ms. Patel acknowledged that her lawyer wrote her affidavit, she reviewed it, and adopted it. She clarified that it is only her opinion or belief that DermaSpark did not suffer any damage and instead would have benefitted from her buying their products to supply her machine. She acknowledged that she had no evidence to support this.

59. Ms. Patel also contended that DermaSpark had not taken any action against counterfeiters. She suggested that she could still find the same products on Kijiji, but did not provide any evidence to support this.

60. On cross-examination, Ms. Patel stated that she did not see any differences between the machine she viewed on the Alibaba site, at the time of purchase, and the machine that was demonstrated to her in 2017. She also contends that she did not see differences upon receiving the machine. When presented with many typos of the product names in the

product invoice from Wuhan and Gracelaser (the Alibaba sellers), she stated that this was the first time she noticed that the name of the machine and products were not identical. When questioned about how she missed these “typos” after stating that she put a lot of thought into purchasing the machine and products, she stated that the Alibaba pictures and videos were the same and she did not notice the different spelling of the name of the machine or the products. She stated that her machine did not have any typographical errors on it.

61. Ms. Patel stated that she only realized that the product she bought did not originate from DermaSpark on January 30, 2020, but added that she still did not think she had a fake machine. She stated that she was only now (*i.e.*, upon cross-examination and being presented with her exhibit of the invoice) noticing that the product names were different. She also stated that she did not previously notice that the invoice refers to Wuhan and Gracelaser as a factory (*i.e.*, that would make the machine as opposed to Pollogen). She reiterated her contention that she only now realizes that she may have had a fake machine.

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1308-20

STYLE OF CAUSE: DERMASPARK PRODUCTS INC, POLLOGEN LTD. v
BINAL PATEL, BALSAM SPA DBA BALSAM DAY
SPA

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: FEBRUARY 22, 2023

JUDGMENT AND REASONS: KANE J.

DATED: MARCH 21, 2023

APPEARANCES:

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