

Federal Court



Cour fédérale

Date: 20120411

Docket: T-659-11

Citation: 2012 FC 404

Ottawa, Ontario, April 11, 2012

PRESENT: The Honourable Mr. Justice Zinn

BETWEEN:

**GUCCIO GUCCI S.p.A. and
GUCCI AMERICA, INC.**

Plaintiffs

and

MICHAEL MAZZEI

Defendant

REASONS FOR ORDER AND ORDER

[1] The Plaintiffs seek summary judgment on their claim against the Defendant in which they seek a declaration that he infringed trade-marks TMA202,555 (“GUCCI”), TMA281,586 (“GG DESIGN”), TMA656,141 (“GG & DESIGN”) and TMA713,111 (“GG (22) DESIGN”) contrary to

sections 19 and 20 of the *Trade-marks Act*, RSC 1985, c T-13, together with related relief including damages.

BACKGROUND

[2] The facts as established by affidavits filed by the Plaintiffs are uncontested. The Defendant neither cross-examined the affiants nor did he file any evidence in response.

[3] In May 2010, the Defendant offered various luxury items for sale through a classified advertisement on a website. An undercover investigator who was trained to identify counterfeit items responded to the advertisement and arranged to meet the Defendant at a gas station. They met on May 7, 2010. The investigator purchased a Gucci purse for \$140 and was given a free Louis Vuitton wallet.

[4] On May 10, 2010 and January 8, 10 and 12, 2011, the Defendant posted similar advertisements on a website. A second undercover investigator responded and agreed to meet the Defendant at a storage facility. On January 14, 2011 the undercover investigator was escorted into two separate storage units where he saw and, with the help of a hidden camera, filmed hundreds of stored luxury items. He purchased a Gucci belt, a Juicy Couture clutch, and a pair of UGG boots for a total of \$180. The investigator continued to correspond with the Defendant and on February 1, 2011 he returned to the storage facility to purchase a Hugo Boss wallet for \$90. A second video filmed that day shows over one hundred luxury items; approximately half of which bore Gucci trade-marks.

[5] On February 23, 2011, a third private investigator accompanied by a lawyer and a Toronto Police Service detective attended at the Defendant's storage units and served him with several cease and desist letters. The private investigator filmed the interaction with the Defendant and was able to observe numerous counterfeit Gucci products on display.

[6] Affidavits filed by the Plaintiffs establish that the Gucci items purchased, advertised and displayed were counterfeit. Specifically, the purse purchased by the first investigator on May 7, 2010 bore the reproduction of trade-marks owned by the Plaintiffs, was not manufactured in accordance with Plaintiffs' specifications, and had packaging and labeling which was inconsistent with that of original products. Similarly, the belt purchased by the second investigator on January 14, 2011 bore one of the trade-marks owned by the Plaintiffs, was not being sold in a wholly-owned or authorized store, and a portion of the fabric was not cut according to Gucci standards. Screenshots of the Defendant's three online advertisements posted in January 2011 suggest that the Gucci products advertised had similar deviations from authentic Gucci merchandise. Those products bore Gucci trade-marks, were not being sold in wholly-owned or authorized stores, and the fabric was not stitched and cut according to Gucci standards. Moreover, the products on display on February 1 and 23, 2011 bore the reproduction of trade-marks owned by the Plaintiffs, were not being sold in wholly-owned or authorized stores, and had packaging and labeling which was inconsistent with that of original products.

[7] The Defendant does not contest that the Plaintiffs have intellectual property rights in the Gucci trade-marks and products bearing them and he admits that the Gucci belt sold to the second investigator was "probably" a counterfeit. The Plaintiffs have established on the balance of

probabilities that the purse and belt bought by the investigators, as well as the items advertised on May 10, 2010 and January 8, 10 and 12, 2011, and on display in his storage units on February 1 and 23, 2011, were counterfeit.

ISSUES

[8] The motion raises the following issues:

- (i) Is there a genuine issue for trial with respect to the Defendant's liability?
- (ii) If not, what damages are appropriate in the circumstances?

(i) Is there a genuine issue for trial with respect to the Defendant's liability?

Test for summary judgment

[9] In *Teva Canada Ltd v Wyeth LLC*, 2011 FC 1169 at para 34, summary judgment was said to be warranted when the following factors are met:

- a. the issues are well defined and, while a disposition of the issues may not resolve every issue in the action, they are significant issues and their resolution will allow the action or whatever remains, to proceed more quickly or be resolved between the parties acting in good faith;
- b. the facts necessary to resolve the issues are clearly set out in the evidence;
- c. the evidence is not controversial and there are no issues as to credibility; and
- d. the questions of law, though novel, can be dealt with as easily now as they would otherwise have been after a full trial.

[10] The Court will grant a motion for summary judgment only if it is satisfied that there is no genuine issue for trial: Rule 215(1) of the *Federal Courts Rules*. The burden of proving that there is

no genuine issue for trial rests on the moving party (in this case, the Plaintiffs): *Canada (Attorney General) v Laneman*, 2008 SCC 14 at para 11; *Fero Holdings Ltd v Les Entreprises Givisco Inc*, [1999] FCJ No 1310 at para 10; and *Grossman Holdings Ltd v York Condominium Corp No 75*, [1999] OJ No 3289 at para 7.

[11] I am satisfied that all of the criteria above are met and that this is an appropriate case for summary judgment.

Infringement

[12] Section 20 of the *Trade-marks Act* provides that: “The right of the owner of a registered trade-mark to its exclusive use shall be deemed to be infringed by a person not entitled to its use under this *Trade-marks Act* who sells, distributes or advertises wares or services in association with a confusing trademark [emphasis added].” In the present matter, the Defendant was not entitled to use the Plaintiffs’ trade-marks and he sold and advertised products that were specifically designed to be confused with those of the Plaintiffs. The Plaintiffs submit that the eight following dealings amount to the infringement of their trade-marks:

1. On May 7, 2010, the Defendant sold a counterfeit Gucci purse to the first private investigator;
2. On May 10, 2010, the Defendant posted a classified advertisement for the sale of a counterfeit Gucci belt;
3. On January 8, 2011, the Defendant posted a classified advertisement for the sale of various counterfeit Gucci products;
4. On January 10, 2011, the Defendant posted a classified advertisement for the sale of

- various counterfeit Gucci products;
5. On January 12, 2011, the Defendant posted a classified advertisement for the sale of various counterfeit Gucci products;
 6. On January 14, 2011, the Defendant sold a counterfeit Gucci belt to the second private investigator;
 7. On February 1, 2011, the Defendant had on display various counterfeit Gucci products in his storage units;
 8. On February 23, 2011, the Defendant had on display various counterfeit Gucci products in his storage units.

I find that all but one of these events amount to infringement under the *Trade-marks Act*.

[13] The first six events are clearly covered by section 20 of the *Trade-marks Act* which specifically provides that there is infringement when a person who is not entitled use a trade-mark sells or advertises wares or services with a confusing trade-mark. The last two events, however, did not deal directly with the sale and advertisement of goods; rather, they deal with their display.

[14] The *Trade-marks Act* does not state that infringement arises from the display of counterfeit goods. In my view, for infringement to occur from the display of a counterfeit item, the display has to rise to the level of an advertisement. It must amount to an invitation to purchase. I accept the Plaintiffs' proposition that this level was attained on February 1, 2011. The undercover investigator on that occasion was escorted into a storage unit and was able to purchase two designer wallets on display. I am persuaded that the Gucci items displayed that day served the purpose of advertising to the investigator that they were for sale.

[15] On February 23, 2011, however, I am unable to find that the items displayed in the storage units served the purpose of an advertisement. The Defendant was being served with cease and desist letters from two Gucci representatives and a Toronto Police Service detective. Since the display of counterfeit items is not covered by the *Trade-marks Act*, the Plaintiffs have not discharged their burden on that point. Only the first seven infringements remain.

(ii) What are the appropriate damages?

[16] Sections 53 and 53.2 of the *Trade-marks Act* give this Court the power to grant relief in cases of infringement. The Defendant suggests that this Court should grant nominal damages which correspond with the exact amount lost by the Plaintiffs and submits that damages of \$1400, the value of the authentic Gucci products that were counterfeit and sold, is the appropriate award. I do not share his view. Counterfeit items do not only rob the trade-mark owner of the sale of the associated items, they also damage the owner's reputation and goodwill.

[17] An award of damages for infringement was a subject of discussion in *Viacom Ha! Holding Co v Doe*, T-550-99, Justice Pelletier, dated December 20, 2000, *Oakley, Inc v Jane Doe*, [2000] FCJ No 1388 and *Ragdoll Productions (UK) Ltd v Jane Doe*, 2002 FCT 918. In those cases, this Court found it appropriate to award a minimum compensatory damage where it was difficult or impossible to assess the true value of the infringement. It was found fair to award damages of \$3,000 per infringement against flea market vendors, street vendors and itinerant sellers; \$6,000 against fixed retail establishments; and \$24,000 against importers, distributors and manufacturers. More recently in *Louis Vuitton Malletier S.A. v Lin*, 2007 FC 1179, the Court awarded a minimum

compensatory damage of \$7,250 per infringement against a retail establishment by adjusting the \$6,000 value for inflation. This represents approximately a 20.83% increase which I am prepared to apply to the \$3,000 minimum compensatory award against flea market vendors, street vendors and itinerant sellers. Applying that same factor of inflation, I find that the Defendant is liable to pay \$3,625 for each infringement. This results in a total award for seven infringements of \$25,375.

[18] Additionally, the Plaintiffs submit that they are each entitled to an award of damages in that amount. I agree. Recently, in *Louis Vuitton Malletier S.A. v Singga Enterprises (Canada) Inc.*, 2011 FC 776 at para 134, Justice Russell wrote:

... Canadian courts have held that in circumstances involving counterfeit activities by a Defendant in which the intellectual property rights of multiple Plaintiffs' have been infringed, each plaintiff is entitled to damages, as a Defendant would be liable for damages to each plaintiff if each plaintiff enforced its rights individually. There is no reason to limit damage awards merely because multiple Plaintiffs advanced their claims in one action. Applying such damages to each plaintiff is available in the case of a joint action brought by a trade-mark owner and its licensee/distributor, to reflect damages suffered by both the trade-mark owner and the licensee/distributor. See *Oakley Inc. v. Jane Doe* (2000), 193 F.T.R. 42, 8 C.P.R. (4th) 506 at paragraphs 12-13; *Louis Vuitton Malletier S.A. v. Lin Pi-Chu Yang*, 2007 FC 1179, 62 C.P.R. (4th) 362 at paragraph 43; and *Louis Vuitton Malletier S.A. et al. v. 486353 B.C. Ltd. et al.*, 2008 BCSC 799, [2008] B.C.W.L.D. 5075 at paragraphs 67 and 72.

I adopt his reasoning as my own. Had both Plaintiffs enforced their rights individually, they would have each been entitled to the minimum compensatory damage. As a result, the Defendant must pay each plaintiff damages in the amount of \$25,375.

[19] Lastly, although the Plaintiffs seek punitive damages, I find that no such award is warranted as the exceptional circumstances required for such is not present here: *Whiten v Pilot Insurance Co*, 2002 SCC 18 at para 36.

[20] The Plaintiffs also seek their costs which they inform the Court amounts to \$34,381.15. The Plaintiffs are entitled to their reasonable costs which, in the circumstances I fix at \$3,500 for the Plaintiffs collectively and not individually.

ORDER

THIS COURT ORDERS AND ADJUDGES that:

1. As between the Plaintiffs and the Defendant, the Canadian registered trade-marks TMA202,555 (“GUCCI”), TMA281,586 (“GG DESIGN”), TMA656,141 (“GG & DESIGN”) and TMA713,111 (“GG (22) DESIGN”) (the Subject Trade-marks) have been infringed by the Defendant by virtue of importing into Canada, advertising, offering for sale, selling and/or otherwise dealing in Canada merchandise bearing one or more of the Gucci Trade-marks without the consent, license or permission of the Plaintiffs (the Subject Merchandise), contrary to sections 19 and/or 20 of the *Trade-marks Act*, R.S.C. 1985, c. T-13;
2. The Defendant has directed public attention to the Subject Merchandise in such a way as to cause or be likely to cause confusion in Canada between the Subject Merchandise and the Plaintiffs’ authorized merchandise contrary to the provisions of section 7(b) of the *Trade-marks Act*;
3. The Defendant has used the Subject Trade-marks in a false and material way which misled the public as to the character, quality or compositions of the Subject Merchandise and as to the mode of manufacture, production or performance thereof contrary to the provisions of section 7(d) of the *Trade-marks Act*;

4. The Defendant has depreciated the value of the goodwill attaching to the Subject Trade-marks, contrary to the provisions of section 22(1) of the *Trade-marks Act*;
5. The Defendant is restrained from offering for sale, displaying, advertising, selling, importing, exporting, manufacturing, distributing, or otherwise dealing in merchandise not being that of the Plaintiffs, bearing any one or more of the Subject Trade-marks;
6. The Defendant is restrained from directing public attention to their wares in such a way as to cause or be likely to cause confusion in Canada between his wares and the wares of the Plaintiffs contrary to the provisions of section 7(b) of the *Trade-marks Act*, by the use of the Subject Trade-marks or any trade-mark confusingly similar thereto;
7. The Defendant forthwith deliver up to the Plaintiffs or as the Plaintiffs may direct, all Subject Merchandise in his possession, custody and control, wheresoever situated;
8. The Plaintiffs may destroy, or otherwise dispose of, as they shall see fit, all Subject Merchandise delivered up by the Defendant;
9. The Defendant shall pay Guccio Gucci S.p.A. damages in the amount of \$25,375.00 arising from the infringement and passing off by the Defendant of the Subject Trade-marks;

10. The Defendant shall pay Gucci America, Inc. damages in the amount of \$25,375.00 arising from the infringement and passing off by the Defendant of the Subject Trade-marks; and
11. The Defendant shall pay to the Plaintiffs forthwith, costs associated with the action, in the amount of \$3,500.00.
12. This Judgment bears interest at the rate of 3% per year from its date.

"Russel W. Zinn"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-659-11

STYLE OF CAUSE: GUCCIO GUCCI SPA ET AL v.
MICHAEL MAZZEI

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: February 27, 2012

**REASONS FOR ORDER
AND ORDER:** ZINN J.

DATED: April 11, 2012

APPEARANCES:

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Michael Mazzei	FOR THE DEFENDANT (ON HIS OWN BEHALF)

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