

Federal Court of Appeal



Cour d'appel fédérale

Date: 20170221

Docket: A-331-16

Citation: 2017 FCA 38

**CORAM: PELLETIER J.A.
RENNIE J.A.
WOODS J.A.**

BETWEEN:

ANNIE PUI KWAN LAM

**Appellant
Respondent by Cross-Appeal**

and

**CHANEL S. DE R.L.
CHANEL LIMITED and
CHANEL INC.**

**Respondents
Appellants by Cross-Appeal**

Heard at Toronto, Ontario, on February 15, 2017.

Judgment delivered from Ottawa, Ontario, on February 21, 2017.

REASONS FOR JUDGMENT BY:

RENNIE J.A.

CONCURRED IN BY:

**PELLETIER J.A.
WOODS J.A.**

Federal Court of Appeal



Cour d'appel fédérale

Date: 20170221

Docket: A-331-16

Citation: 2017 FCA 38

**CORAM: PELLETIER J.A.
RENNIE J.A.
WOODS J.A.**

BETWEEN:

ANNIE PUI KWAN LAM

**Appellant
Respondent by Cross-Appeal**

and

**CHANEL S. DE R.L.
CHANEL LIMITED and
CHANEL INC.**

**Respondents
Appellants by Cross-Appeal**

REASONS FOR JUDGMENT

RENNIE J.A.

[1] The issues in this appeal and this Court's disposition of this appeal require an understanding of the history of the proceedings in both this Court and the Federal Court. For that reason, I will set them out in some detail.

[2] By Judgment rendered September 18, 2015, (2015 FC 1091), the Federal Court found the defendants therein liable for infringement of the plaintiffs' registered trade-marks and for selling goods in a manner likely to give rise to confusion under subsection 7(b) of the *Trade-marks Act* (R.S.C., 1985, c. T-13). The liability arose from the sale of counterfeit goods of the plaintiffs between 2011 and 2013. The judge awarded compensatory damages in the amount of \$64,000, punitive and exemplary damages in the amount of \$250,000 and costs in the amount of \$66,000 against the defendants on a joint and several liability basis.

[3] On appeal (2016 FCA 111), this Court found that the reasons of the judge were ambiguous with respect to whether the appellant was responsible for three or four instances of dealing in counterfeit goods. This Court remitted the decision back to the judge for clarification on this finding. In consequence, this Court set aside both the punitive and costs awards as they were intertwined and dependent upon the number of instances of counterfeiting. This Court dismissed all other challenges to the decision, concluding that "there is no ground to set aside the trial judge's other findings concerning the appellant's involvement and responsibility in this matter."

[4] With respect to the appeal of the punitive and exemplary damages award, this Court observed that, even though the award of \$250,000 was proportionately higher than awards in earlier cases, given the judge's findings and the need for deterrence, it might nonetheless be supportable upon a more detailed consideration of the principles established in *Whiten v. Pilot Insurance Co.*, 2002 SCC 18, [2002] 1 S.C.R. 595 [*Whiten*].

[5] At the re-determination hearing in the Federal Court, the judge clarified that the appellant was liable for four instances of counterfeiting. He reaffirmed the compensatory damages and costs awards of his first decision. He also provided further reasons for his award of punitive and exemplary damages. It is this second decision (*Chanel S. de R.L. v. Lam Chan Kee Company Ltd.*, 2016 FC 987) that is the subject of the appeal before this Court.

[6] The appellant does not, in her Notice of Appeal, challenge the finding of liability on the fourth instance of counterfeiting. The appellant confines her appeal to the awards of compensatory and punitive damages and costs. The findings of liability are therefore final. So too are the findings of fact that underlie the damages awards.

[7] I will deal with the award of \$64,000 in compensatory damages first.

[8] In its decision of April 11, 2016, this Court noted that the award, calculated as it was at \$8,000 per act of infringement for each defendant, was consistent with the jurisprudence. As this Court confirmed the basis on which the judge arrived at the award of compensatory damages, the award could only have been varied if the judge had, on re-determination, found the defendants liable for three, and not four, instances of infringement. As the finding of the fourth instance of counterfeiting has not been appealed, the doctrine of issue estoppel precludes the appellant from challenging the methodology for calculating the compensatory damages a second time in this Court.

[9] I turn next to the challenge to the award of punitive and exemplary damages. As noted, the Court of Appeal found that, while an award of punitive damages in the amount of \$250,000

might be a supportable remedy, a “more expansive” explanation than that provided by the judge was required. The question on appeal, therefore, is whether the judge justified the award in light of the findings of fact and the principles governing punitive and exemplary damages.

[10] The challenge to the award of punitive and exemplary damages fails. The judge identified a number of factors arising from the conduct of the appellant which are supportive of a conclusion that an award of punitive and exemplary damages was “rationally required to punish the defendant’s misconduct”: *Whiten* at para 107. I also find that the award is consistent with the objectives of punitive and exemplary damages - retribution, deterrence and denunciation.

[11] I note, amongst other considerations, the judge’s findings that the defendants were motivated by profit; the vulnerability to, and erosion of, the plaintiffs trade-mark rights arising from counterfeiting and infringement; the defendants’ attempts to mislead the Court; the fraudulent transfer, after the filing of the Statement of Claim, of ownership of the defendants’ company to avoid liability; the defendants’ recidivist conduct in light of previous orders in respect of the same matter; the defendants’ awareness of the unlawful nature of the activity; the scope of the infringement; the sale of infringing articles after filing and service of the Statement of Claim; the defendants’ failure to produce any records; and, the judge’s conclusion that the infringement was continuous and deliberate. The judge also situated the award in light of relevant judicial precedent.

[12] There is no merit to the appellant’s argument that there is a ratio between the amount of compensatory damages and punitive damages. The Supreme Court has expressly rejected such an approach. In *Whiten*, at paragraph 73, Binnie J. noted that “[t]he proper focus is not on the

plaintiffs' loss but on the defendants' conduct," and that a ratio between compensatory and punitive damages does not account for the many variables to be taken into account in calibrating the award.

[13] The case law teaches that determining the appropriateness and, if so, the amount, of punitive and exemplary damages, is a highly contextual exercise, influenced by factors particular to the defendants' behaviour and informed by considerations unique to infringement of trademarks. Here, the judge's assessment of the amount of damages was largely focused on the defendants' conduct and the conclusion that compensatory damages alone would not be a deterrent. This ground of appeal is therefore rejected.

[14] This leaves the challenge to the award of \$66,000 in costs. An award of costs is discretionary and, absent an error in principle, will not be disturbed on appeal. The appellant has not demonstrated any error of this nature, and, as such, this ground of appeal fails.

I. The Cross-Appeal

[15] The respondents have cross-appealed the failure of the judge to take into account an offer of settlement which it made to the appellant prior to the Federal Court re-determination hearing. The offer was refused and the respondents were wholly successful on the re-determination hearing, thus engaging the costs consequences of Rule 420(1) of the *Federal Courts Rules* (S.O.R./98-106). While the judge did not expressly consider this Rule in assessing costs, the question of double costs pursuant to Rule 420(1) was encompassed by paragraph 83 of his reasons, where he concluded that neither party should bear additional costs arising from the re-determination. The cross-appeal will be dismissed.

II. Costs on Appeal

[16] The respondents seek costs on this appeal on a solicitor-client basis. They note that the appellant has not identified the standard of review nor any error in the decision under appeal. The appellant's memorandum of argument is largely a recitation of jurisprudence, copied from that which had been argued, and rejected, by this Court on the first appeal. The respondents characterize the appeal as a nuisance appeal, the effect of which is to delay the respondents' efforts to recover on its judgment.

[17] We have found that the appeal is without merit and that the appellant has advanced no substantive ground or challenge to the judgment below. This is an appropriate case in which to award costs on solicitor-client basis.

[18] The appeal will be dismissed with costs on a solicitor-client basis. The cross-appeal will be dismissed with no order as to costs.

“Donald J. Rennie”

J.A.

“I agree
J.D. Denis Pelletier J.A.”

“I agree
J. Woods J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

**APPEAL FROM A JUDGMENT OF THE FEDERAL COURT DATED
August 30, 2016, DOCKET NO. T-653-13 (2016 FC 987)**

DOCKET: A-331-16

STYLE OF CAUSE: ANNIE PUI KWAN LAM v.
CHANEL S. DE R.L., CHANEL
LIMITED and, CHANEL INC.

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: FEBRUARY 15, 2017

REASONS FOR JUDGMENT BY: RENNIE J.A.

CONCURRED IN BY PELLETIER J.A.
WOODS J.A.

DATED: FEBRUARY 21, 2017

APPEARANCES:

Richard H. Parker, Q.C. FOR THE APPELLANT
(Respondent by Cross-Appeal)

Karen F. MacDonald FOR THE RESPONDENTS
Mathew D. Brechtel (Appellants by Cross-Appeal)

SOLICITORS OF RECORD:

Coutts Crane FOR THE APPELLANT
Barristers & Solicitors (Respondent by Cross-Appeal)
Toronto, Ontario

Norton Rose Fulbright FOR THE RESPONDENTS
Vancouver, B.C. (Appellants by Cross-Appeal)