Federal Court  Cour fédérale

**Date: 20120801**

**Docket: T-1957-10**

**Citation: 2012 FC 962**

**Ottawa, Ontario, August 1, 2012**

**PRESENT: The Honourable Mr. Justice de Montigny**

**BETWEEN:**

**MOROCCANOIL ISRAEL LTD.**

**Plaintiff**

**and**

**LES LABORATOIRES PARISIENS CANADA (1989) INC. AND JOHN DOE O/A LES LABORATOIRES PARISIENS INC. AND JOHN DOE O/A LYS PARISIEN**

**Defendants**

## REASONS FOR ORDER AND ORDER

[1] On January 17, 2012, the Honourable Mr. Justice Rennie granted default judgment to the Plaintiff against the Defendants in an action for, *inter alia*, trade-mark infringement and passing-off pursuant to the *Trade-marks Act*, RSC 1985, c T-13.

[2] The Defendants have advanced a motion to set aside the Order of Justice Rennie, and have subsequently filed a motion seeking to amend their motion to set aside in order to introduce a draft Statement of Defence.

[3] For the reasons that follow, I find that the Defendants have not satisfied the applicable test so as to entitle them to have the Judgment of Justice Rennie set aside.

**1. Background**

[4] As previously mentioned, the Plaintiff brought an action against the Defendants for trade-mark infringement and passing-off. A Statement of Claim was issued on November 23, 2010 and served on the Defendants on November 30, 2010.

[5] On or about December 14, 2010, the Defendants provided to the Plaintiff's counsel a document entitled "*Réponse aux Allégations*" dated December 10, 2010, which document was signed by "Christian Lebel" for *Les Laboratoires Parisien Canada (1989) Inc.* It is unclear whether this document was intended to be a Statement of Defence. This document has never been filed nor sought to be filed with the Registry of the Court and there is no Statement of Defence filed with the Court Registry in this action.

[6] On January 13, 2011, the Plaintiff advised the Defendants in writing that the *Federal Courts Rules*, SOR/98-106, require that a corporation be represented by a solicitor in all proceedings unless the Court grants leave in special circumstances. The Plaintiff further advised the Defendants that the document entitled "*Réponse aux Allégations"* dated December 10, 2010 had not been filed with

the Federal Court and that a Statement of Defence was required to be filed with the Federal Court Registry.

[7] By letter dated January 20, 2011, Me Alain Béland advised that he had been retained by the Defendants in this action. The letter from Me Béland acknowledged that the Defendants had not filed their Statement of Defence and further acknowledged that a request of the Court may be required to facilitate the filing of a Statement of Defence. No action was taken by the Defendants or their legal counsel in furtherance of the above-noted letter.

[8] By letter dated March 7, 2011, the Plaintiff once again communicated with Me Béland, requesting that they take steps to immediately rectify their client's procedural irregularities. In this letter, the Plaintiff expressed its intention to proceed with a motion for default judgment if the Defendants chose not to take the appropriate steps to serve and file a Statement of Defence. Once again, no action was taken by the Defendants or their counsel in response to the above-noted letter.

[9] On April 21, 2011, the Defendants' solicitors wrote to the Plaintiff authorizing the Plaintiff to communicate directly with the Defendants. According to counsel, Laboratoires Parisiens wanted to discuss an agreement "because of the very low value involved".

[10] Between June 8, 2011 and August 12, 2011, the parties attempted to settle the matter and as a result, the Plaintiff delivered settlement documents to the Defendants. On August 4, 2011, the Plaintiff wrote to the Defendants and confirmed that the Plaintiff's offer to settle was open for

acceptance until August 12, 2011, failing which the Plaintiff was withdrawing the offer and proceeding with the litigation.

[11] On August 10, 2011, the Plaintiff once again wrote to the Defendants, reiterating that the offer to settle was only open for acceptance until August 12, 2011. The Plaintiff's offer to settle was apparently not accepted by the Defendants by that deadline.

[12] In the meantime, on June 1, 2011, the Plaintiff received a Notice of Status Review from the Federal Court, and served and filed submissions in response to that Notice. These submissions provided the Court with a full history of the status of the action to date and expressed the Plaintiff's intention to advance a motion for default judgment. The Plaintiff's response to the Notice of Status Review was served upon the Defendants on June 16, 2011. The Defendants did not respond to the Plaintiff's submissions, nor file any submissions of their own with this Court.

[13] On July 20, 2011, the Court ordered that the action continue as a specially managed proceeding. By Direction dated October 11, 2011, the Plaintiff was directed to file a Status Report. On or about October 18, 2011, the Plaintiff served and filed a Status Report confirming, once again, the Plaintiff's intention to file a motion for default judgment.

[14] The Defendants did not contact the Plaintiff in response to the Plaintiff's Status Report nor file any submissions of their own with the Federal Court. By Oral Direction of the Case Management Judge dated November 8, 2011, the Plaintiff was ordered to bring its motion for default judgment on or before December 30, 2011. The Defendants were provided with a copy of

this Oral Direction. Once again, no action was taken by the Defendants. The Defendants did not contact the Plaintiff in response to the Oral Direction, or otherwise, nor take any steps to contact the Federal Court.

[15] On December 29, 2011, counsel for the Plaintiff wrote to the Defendants and enclosed a courtesy copy of a Notice of Motion for default judgment. No action was taken by the Defendants as a result, and the Defendants did not contact counsel for the Plaintiff in response to that letter.

[16] On January 11, 2012, counsel for the Plaintiff once again wrote to the Defendants and enclosed a further copy of the Notice of Motion for default judgment. Once again, the Defendants took no action and did not contact counsel for the Plaintiff. On January 17, 2012, Justice Rennie granted the Plaintiff's request for default judgment against the Defendants.

**2. Issue**

[17] The only issue to be decided in the current proceedings is whether the default judgment against the Defendants should be set aside, and whether the Defendants should be allowed to serve and file their Statement of Defence.

**3. Analysis**

[18] Rule 399(1) of the *Federal Courts Rules* provides that the Court may, on motion, set aside an order that was made *ex parte* if the party against whom the order was made discloses a *prima facie* case why the order should not have been made.

[19] There is no dispute between the parties as to the criteria to be met on such a motion. As stated in cases such as *Society of Composers, Authors & Music Publishers of Canada v 654163 Ontario Ltd.*, 2010 FC 905, *SEI Industries Ltd. v Terratank Environmental Group*, 2006 FC 218, *Taylor Made Gold Co. Inc. et al v 1110314 Ontario Inc.* (1998), 148 F.T.R. 212, *Brilliant Trading Inc. v Tung Wai Wong and Zhen Hing Enterprise Ltd.*, 2005 FC 571, and *Molson Canada (an Ontario General Partnership) v Beauchamp*, 2010 FC 109, the Defendants must establish that:

a) They have a reasonable explanation for the failure to file a statement of defence;

b) They have a *prima facie* defence on the merits of the Plaintiff's claim;

c) They move promptly to set aside the default judgment.

[20] The three elements of the test are conjunctive and the Defendants must therefore satisfy all three parts to set aside the default judgment.

[21] In the case at bar, I am not satisfied that the Defendants' explanation for not filing a Statement of Defence is reasonable. Counsel for the Defendants strenuously tried to convince me that the Defendants were acting in good faith and failed to abide by the Court's Rules as a result of their unfamiliarity with legal procedures, and they were led to believe that they would reach an out of court settlement as the amount of damages incurred by the Plaintiff was not substantial. Unfortunately, the evidence submitted to the Court does not support that explanation.

[22] From at least January 20, 2011 to April 21, 2011, the Defendants retained legal counsel. The Defendants and their counsel were made expressly and repeatedly aware by the Plaintiff that: a corporation must be represented by a solicitor in all proceedings before the Federal Court; a proper

Statement of Defence is required to be filed with the Federal Court Registry; and given the delay in filing same, a motion requesting permission for the late filing was required. Yet, the Defendants have never purported to rectify these failures.

[23] The fact that the parties attempted to settle the action between April and August 2011 did not relieve the Plaintiff of their obligation to comply with the *Federal Courts Rules*. Even if those discussions could provide a reasonable explanation for not having filed a Statement of Defence during that period, it would not explain why nothing was done either prior to April 2011 or following August of that same year. This is particularly true in light of the Plaintiff's Status Report of October 18, 2011, sent to the Defendants on the same date, the last paragraph of which states explicitly that "[t]he Plaintiff proposes to file its motion for default judgment by December 30, 2011". If there was any doubt left in the mind of the Defendants, the copy of the Notice of Motion filed in support of a request for default judgment sent to the Defendants on December 29, 2011, should have cleared any possible ambiguity. Even at this late stage, the Defendants continued to do nothing.

[24] The Defendants tried to argue that they are not familiar with the law and the procedure before the Federal Court. Mr. Christian Lebel, who is the president and sole shareholder of the Defendants, explained that he was under the impression that the numerous adjournments of the criminal proceedings against the Plaintiff pursuant to the Criminal Code, applied equally to the proceedings before the Federal Court as they were intimately related. Mr. Lebel went so far as to say that he is not fluent in English and did not always understand the letters that he received from

the Plaintiff's counsel. He stated that he had to rely on Mr. Jones, who acts as an administrator of the Defendants, to translate these letters for him.

[25] I find neither of these explanations to be reasonable. First of all, none of the postponements in the criminal action correspond to January 2012, at which time the motion for default judgment was to be presented. Therefore, when advised by the Court on November 8, 2011 that a motion for default judgment had to be filed by December 30, 2011, and when twice advised by the solicitors for the Plaintiff on December 29, 2011 and January 11, 2012 that the motion for default judgment was to be presented on January 16, 2012, the Defendants could not seriously and objectively believe the civil action before this Court was postponed in conjunction with the criminal matters.

[26] More importantly, there is no explanation as to why Mr. Lebel chose to terminate the retainer of his legal counsel with respect to the proceedings before this Court on April 21, 2011, without first seeking legal advice from another counsel with experience before the Federal Court, until receiving the default judgment. Such inaction is especially troubling in light of the fact that Mr. Lebel, on cross-examination, testified that Me Béland had told him very early on that he was not familiar with the Federal Court and had referred him to other law firms with expertise in intellectual property matters.

[27] It was ill-advised of Mr. Lebel to try to negotiate a settlement without any legal advice, considering his avowed ignorance of the law and his difficulties to communicate in English. While he may have thought that the amounts at issue were insubstantial, he was clearly on notice that the

Plaintiff was serious about his claim and was intent on proceeding with its motion for default judgment in the advent of failure to arrive at a settlement.

[28] Mr. Lebel's casualness and imprudence verges on wilful blindness once the negotiations with the Plaintiff broke down. He was then on notice that the Plaintiff would proceed to Court. Even if he was not clear what the next steps would be, or even whether the Plaintiff was seriously contemplating bringing his motion to Court, he could not simply sit by idly and wait. Mr. Lebel was well aware of the need to seek legal advice when he first retained Me Béland in January 2011. He knew that Me Béland would not be able to adequately represent him in Federal Court. It was therefore incumbent upon him, at least after the settlement discussions broke down, to take steps in order to defend the Statement of Claim that he had been served with almost one year earlier. As this Court stated in *UMACS of Canada Inc. v S.G.B. 2000 Inc.* (1990), 34 C.P.R.(3d) 305, at p. 308, "[p]eople in business in Canada should give legal documents significantly more attention" than the Defendants did in this case: see also *Taylor Made Gold Company Inc. v 1110314 Ontario Inc.*, at para. 2.

[29] In light of all of the evidence before this Court, there can be no doubt that the Defendants, through their president and unique shareholder, did not provide a reasonable explanation for the failure to file and serve a proper Statement of Defence. Mr. Lebel clearly took the view, at his own peril, that this matter was not serious enough to justify the expense and trouble of seeking legal advice. While such behaviour may have been understandable in the early stages of the proceedings and possibly up until the settlement discussions broke down, it was clearly untenable and unreasonable to carry on afterwards as if the matter would simply go away. The failure to satisfy

the first element of the test is fatal to the Defendants' motion, as the three elements of the test are conjunctive.

[30] In any event, I am also of the view that the Defendants have not satisfied the second prong of the test, as they have not established that they have a *prima facie* defence on the merits of the Plaintiff's claim. At the hearing, counsel for the Defendants conceded that they were not challenging the default judgment with respect to the merits of the case (i.e. the conclusions that the Defendants have infringed sections 7(b), (c) and (d) as well as s. 22 of the *Trade-marks Act*), but merely the quantum of the damages. This is clearly not enough to set aside the default judgment of Justice Rennie.

[31] The Defendants have not filed any evidence to substantiate their claim that the damages awarded by Justice Rennie are grossly disproportionate and do not reflect the actual losses suffered by the Plaintiff. As a result, this Court must take it for granted that Justice Rennie arrived at his award of damages on the basis of the evidence that was before him.

[32] As previously mentioned, counsel for the Defendants made a motion before this Court for permission to amend its motion to set aside the default judgment, the purpose of which is essentially to file a draft Statement of Defence and to show that they have compelling arguments to make, in response to the Statement of Claim of the Plaintiff. They claim, *inter alia*, that the amount of damages awarded by Justice Rennie is grossly disproportionate as they have only sold 2,933 units of the infringing product, for a net profit of $1,910.83.

[33] There are, however, a number of problems with this motion to amend. I do not even find it necessary to consider the requirements to be met for filing additional material, as I agree with the Plaintiff that the Defendants are not really seeking to amend a document, but rather to introduce new material and evidence under the guise of a motion to amend. It is a basic principle of the law of evidence that a moving party can file evidence in reply, only to contradict or qualify new fact issues raised in defence. A moving party must introduce all the evidence in its possession upon which it relies as probative before the closing of its case: Sopinka et al, *The Law of Evidence in Canada*, 3rd ed., Lexis Nexis, 2009, pp. 1165 ff.

[34] In the present case the Defendants lead evidence in reply, that is in relation to "grossly disproportionate damages", an issue that is neither included in the original Motion Record to set aside the default judgment, nor in the Plaintiff's Responding Record. In the Plaintiff's Responding Motion Record, it indicated that the Defendants had failed to file a draft Statement of Defence in support of its motion, and evidence showing that it had a *prima facie* defence. The Defendants are now clearly seeking to bolster their position in support of their motion to set aside the default judgment in light of the arguments (not new fact issues) put forward by the Plaintiff in its Responding Motion Record. Therefore, the Defendants are not truly requesting to amend a document, and the legal principles relating to amendments are not applicable. Moreover, the Defendants have not provided any explanation as to why they did not or could not file the draft Statement of Defence and/or all necessary evidence as part of their original Motion Record to set aside a default judgment, and why they waited more than three months from the filing of the original motion to set aside the default judgment to do so.

[35] The Defendants' motion to amend must therefore be dismissed. Not only does it not purport to "amend" a pleading or a document pursuant to Rules 75(1) and 200, but it would be more appropriately characterized as a disguised attempt to improperly file inadmissible reply evidence. Furthermore, the affidavit filed in support of the Defendants' motion is in the name of an articling student for counsel for the Defendants, which clearly contravenes Rule 82, whereby an attorney shall not both depose to an affidavit and present argument to the Court based on that affidavit. To the extent that the Statement of Defence goes to the very issue of damages suffered by the Plaintiff and/or improper profits realized by the Defendants, the affidavit is unacceptable and clearly insufficient to support the allegation that the damages obtained are grossly disproportionate to the actual losses that have been suffered by the Plaintiff.

[36] Finally, one must not lose sight of the fact that the damages awarded by Justice Rennie were meant to compensate not only for the losses sustained by the Plaintiff but also for depreciating the value of the goodwill attaching to the registered trade-marks of the Plaintiff.

[37] In light of the evidence (or lack thereof) that is before the Court, the Defendants have not established that they have a *prima facie* defence on the merits of the Plaintiff's claim. Not only are the findings of Justice Rennie not in dispute with respect to the infringements of the *Trade-marks Act*, but they fail to bring any evidence in support of their claim that the damages awarded were grossly disproportionate. Accordingly, they do not meet the second requirement of the test to set aside a default judgment.

[38] Having failed to meet both the first and second elements of the test, the Defendants' motion to set aside the default judgment of Justice Rennie is dismissed, with costs payable to the Plaintiff.

## ORDER

**THIS COURT ORDERS that** the motions of the Defendants to set aside the Order of Mr. Justice Rennie dated January 17, 2012, and to obtain permission to amend, are both dismissed, with costs to the Plaintiff.

"Yves de Montigny"
Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

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| **DOCKET:** | T-1957-10 |
| **STYLE OF CAUSE:** | MOROCCANOIL ISRAEL LTD. v LES LABORATOIRES PARISIENS CANADA (1989) INC. ET AL |
| **PLACE OF HEARING:** | Montréal, Québec |
| **DATE OF HEARING:** | July 23, 2012 |
| **REASONS FOR ORDER AND ORDER:** | de MONTIGNY J. |
| **DATED:** | August 1, 2012 |

**APPEARANCES:**

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|---|---|
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| Alexandre Archambault | FOR THE DEFENDANTS |

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