

Federal Court



Cour fédérale

Date: 20130617

Docket: T-1135-11

Citation: 2013 FC 667

Ottawa, Ontario, June 17, 2013

PRESENT: The Honourable Madam Justice Kane

BETWEEN:

MOROCCANOIL ISRAEL LTD.

Plaintiff

and

**GARY HOWARD LIPTON,
G. LIPTON SALES LTD.,
JOHN DOE o/a LND SALES,
PIERO SIVITILLI, NORTH ONE
INVESTMENTS INC. AND 2797836 CANADA
INC. O/A CARRY'S COMPANY AND
EDWARD SIVITILLI**

Defendants

REASONS FOR ORDER AND ORDER

[1] The Plaintiff brought a motion for summary judgment seeking a declaration that the Defendant, Edward Sivitilli, through his importation, manufacture, distribution, advertisement, sale and/or offering for sale of hair care products, has infringed the Registered Moroccanoil Trade-mark, including Canadian trade-mark registration number TMA734,460 and other registered Canadian trade-marks in association with Moroccanoil hair care products contrary to sections 19 and 20 of the

Trade-marks Act, R.S.C. 1985, c. T-13; a declaration that the Defendant has infringed subsections 7 (b), (c) and (d) as described below; a declaration that the Defendant has depreciated the value of the goodwill attaching to the Registered Moroccanoil Trade-mark contrary to section 22 of the Act; an interlocutory and permanent injunction restraining the Defendant; an Order that the Defendant delivers up, recalls, destroys or disposes of the offending products; an Order directing that the Defendant pay the costs associated with storage and related matters; and an Order for damages or an accounting of profits and pre- and post-judgment interest and costs of this action.

[2] The detailed claims of the Plaintiff, as set out in their Statement of Claim, seek:

- (a) a declaration that the Defendants' importation, manufacture, distribution, advertisement, sale and/or offering for sale, in Canada, of hair care products, namely hair treatment oil using the Registered Moroccanoil Trade-mark (as defined *infra*) alone or in conjunction with one or more of the Moroccanoil Canadian Trade-mark Applications (as defined *infra*), and/or the Moroccanoil Get-up (as defined *infra*) all without the authority, license or permission of the Plaintiff (the "Defendants' Hair Care Products") constitutes:
 - i) an infringement or a deemed infringement of the exclusive rights to the use and benefit of the Registered Moroccanoil Trade-mark (as defined *infra*) contrary to sections 19 and 20 of the *Trade-marks Act*, RSC 1985 c T-13;
 - ii) directing public attention to the Defendants' Hair Care Products in such a way as to cause or to be likely to cause confusion in Canada between the Defendants' Hair Care Products and business and the Plaintiff's merchandise and business, contrary to section 7(b) of the *Trade-marks Act*, *supra*;

- iii) passing off of the Defendants' Hair Care Products as and of those of the Plaintiff, contrary to section 7(c) of the *Trade-marks Act, supra*;
 - iv) making use of a description that is false in a material respect that is likely to mislead the public as to the character, quality or composition of the Defendants' Hair Care Products and/or as to the mode of the manufacture, production or performance of the Defendants' Hair Care Products, contrary to section 7(d) of the *Trade-marks Act, supra*; and/or
 - v) depreciation of the value of the goodwill attaching to the Registered Moroccanoil Trade-mark contrary to section 22 of the *Trade-marks Act, supra*;
- (b) an interlocutory and permanent Order restraining the Defendants (including their officers, directors, employees or agents, as applicable) from using the Registered Moroccanoil Trade-mark or any other mark or logo confusing therewith in association merchandise of any kind which is not manufactured by or for the Plaintiff or in advertising, promoting or displaying same in association with the Moroccanoil Trade-mark;
- (c) an interlocutory and permanent Order restraining the Defendants (including their officers, directors, employees or agents, as applicable) from manufacturing, distributing, offering for sale, selling, displaying, advertising or otherwise dealing in Canada (collectively referred to throughout this pleading as, "Dealing In" or "Deal In" as may be appropriate) in the Defendants' Hair Care Products;
- (d) an interlocutory and permanent Order restraining the Defendants (including their officers, directors, employees or agents, as applicable) from directing public attention to the Defendants' Hair Care Products in such a way as to cause or be likely to cause confusion in

- Canada between the Defendants' Hair Care Products and the Plaintiff's hair care products contrary to section 7(b) of the *Trade-marks Act*;
- (e) an interlocutory and permanent Order restraining the Defendants (including their officers, directors, employees or agents, as applicable) from passing off the Defendants' Hair Care Products as and for those of the Plaintiff, contrary to section 7(c) of the *Trade-marks Act, supra*;
 - (f) an interlocutory and permanent Order restraining the Defendants (including their officers, directors, employees or agents, as applicable) from using a description that is false in a material respect that is likely to mislead the public as to the character, quality or composition of the Defendants' Hair Care Products and/or as to the mode of the manufacture, production or performance of the Defendants' Hair Care Products, contrary to section 7(d) of the *Trade-marks Act, supra*; and
 - (g) an interlocutory and permanent Order restraining the Defendants (including their officers, directors, employees or agents, as applicable) from directing public attention to the Defendants' Hair Care Products in such a way as to cause or be likely to cause depreciation of the valuable goodwill in Canada attached to the Plaintiff's exclusive right to Deal In merchandise bearing the Registered Moroccanoil Trade-mark;
 - (h) an Order directing the Defendants (including their officers, directors, employees or agents, as applicable) to deliver up immediately to the Plaintiff or its agent, all of the Defendants' Hair Care Products in the Defendants' possession, custody, power or control;
 - (i) an Order requiring each of the Defendants to immediately effect and implement, at their sole cost and expense, a recall of the Defendants' Hair Care Products (hereinafter the, "Recalled Merchandise") by, amongst other things, notifying in writing each retail store or wholesaler

- to which it has sold the Defendants' Hair Care Products advising them to immediately stop selling and return all unsold Defendants' Hair Care Products to the Plaintiff's designated location, at the Defendants' expense, and to produce to the Plaintiff, evidence of delivery of Defendants' Hair Care Products;
- (j) an Order authorizing the Plaintiff to destroy or otherwise dispose of, as it shall in the exercise of its discretion determine, the Defendants' Hair Care Products including the Recalled Merchandise delivered in accordance with sub-paragraph (i) *supra*, or as the Court may direct;
 - (k) an Order directing the Defendants to pay to the Plaintiff, or as the Plaintiff shall direct, the costs associated with the cartage, storage and ultimate destruction of the Defendants' Hair Care Products including the Recalled Merchandise delivered up pursuant to sub-paragraph (i) above;
 - (l) damages against the Defendants, for trade-mark infringement and/or passing off in the amount of \$500,000.00;
 - (m) in the alternative to the relief requested in sub-paragraph (l) *supra*, an accounting of the Defendants' profits arising from their Dealing In the Defendants' Hair Care Products, which the Plaintiff may elect after an examination of any one or all of the Defendants on the extent of the infringement and the quantum of profits generated therefrom, and judgment for that amount;
 - (n) pre-judgment and post-judgment interest, pursuant to sections 36 and 37 of the *Federal Courts Act*, RSC 1985, c F-7, as amended;
 - (o) costs of this action on a substantial indemnity basis together with any applicable taxes; and
 - (p) such further and other relief as to this Honourable Court may seem just.

[3] The Plaintiff has settled all the issues with the Defendant 2797836 Canada Inc (Carry's Company) and with the Defendants, Gary Howard Lipton, G Lipton Sales Ltd and John Doe, operating as LND Sales (also referred to as the Lipton Group).

[4] The Plaintiff now seeks summary judgment against the Defendant, Edward Sivitilli.

[5] The Defendant, Edward Sivitilli, filed a statement of defence which denied the allegations or claimed to have no knowledge of the facts. The Defendant asserted: that any damages suffered by the Plaintiffs were not caused by the Defendant's actions; that any damages sustained are excessive and too remote to be recoverable; and, that the Plaintiff did not hold registered trade-marks for the products. The Defendant did not adduce or submit any evidence and did not cross-examine any of the affiants.

[6] The Plaintiff has established through the affidavit evidence, including that of the Defendant himself, the claims set out in its statement of claim.

[7] A short overview of the matters giving rise to the Plaintiff's claim situates the findings which follow. Mr Sivitilli sourced Moroccan oil products on at least two occasions from American Industries LLC, a company which he found on the Internet and with which he had no previous dealings. In one transaction, Mr Sivitilli arranged for 10,800 bottles of the product to be sent directly to LND. In a second transaction, Mr Sivitilli arranged for 2,520 bottles of the product to be sent to LND. LND sold some of the product to Padinox. Padinox then offered the product for sale

at a trade show where it was discovered, through an RCMP investigation, that the product was counterfeit. The products were then seized from Padinox.

[8] LND had also sold the products to Carry's Company who in turn sold it to a UK company. Both Carry's Company and the UK company had concerns that the products could be counterfeit. The UK company returned the products to Carry's Company. The shipment was then sent to and held in a warehouse of Adam's Cargo. LND sales consented to a preservation order. Sample testing was conducted by the Plaintiffs and established that the products were not consistent with the authentic Moroccan oil products.

[9] Mr Sivitilli claims that he never had control of the product and that his role was to source the product, negotiate its price and have it sent directly to the distributor. Mr Sivitilli received payment from the LND group through a now cancelled corporation, North One Investments, that had been his father's company. Mr Sivitilli described the invoices sent to LND and the amounts paid by them to him through North One as a finder's fee or commission. Regardless of how these amounts are characterised, Mr Sivitilli was remunerated for sourcing the product, arranging for it to be sent to LND and directing that payment be made to Dacca Global Trading as requested by American Industries LLC. I note that Mr Sivitilli indicated that he had no information about the role of Dacca Global Trading.

[10] It is well settled that a response to a motion for summary judgment must set out specific facts and adduce evidence showing that there is a genuine issue for trial. The defendant has the burden to show that there is a genuine issue for trial. The defendant cannot rely on bald statements

or lack of knowledge and/or denials in its pleadings to raise a genuine issue for trial. The defendant must put its “best foot forward” and this requires that the defendant lead evidence and make an argument that there is a genuine issue requiring a trial.

[11] In this case, the Defendant has put no evidence forward other than a list of denials and assertions that he has no knowledge of the facts alleged. At the oral hearing, the Defendant sought to raise new assertions, none of which were supported by any evidence. For example, the Defendant suggested that because he did not have control of the product at any time, and that the product had been in transit and in a warehouse under the control of others, the product could have been mixed up or switched and that the product he sourced was real and the switched product could have been counterfeit. That suggestion is completely speculative as there is not even a scintilla of evidence to support that theory. Moreover, the Defendant admitted that he made no attempt to ascertain that the product he sourced and offered for sale was genuine, that he had never dealt with the supplier American Industries LLP previously and that he did not have control of the product at any time. Therefore, he had no knowledge of the product that he sourced and offered for sale and he cannot suggest, even if he had raised this issue in his Statement of Defence, that the product he sourced was genuine.

[12] From my review of the material submitted to the Court the following have been proved:

- a. The Plaintiffs are the registered owners of the Moroccanoil trade-marks including the Moroccanoil Get-up, used in association with hair care products;

- b. The Defendant, Mr Svitilli, purchased from American Industries LLC and sold, in at least two transactions, 100ml bottles of Moroccanoil Oil Treatment which bears a reproduction on its packaging and labeling of one or more of the Moroccanoil Trade-marks and uses the Moroccanoil Get-up, without the authority, license or permission of the Plaintiff;
- c. That the 100ml bottles of Moroccanoil Oil Treatment offered for sale and sold by the Defendant, Mr Sivitilli, are not authentic Moroccanoil Oil Treatment because they contain oil that is a different composition and is not consistent with the authentic product;
- d. That the Defendant, Mr Sivitilli, admitted that he benefited from the sale of the counterfeit products and received \$33,184 for the first transaction and \$8,316 on the second transaction for a total of \$41,500.

[13] I find that the Plaintiff has also established, through the uncontradicted affidavit evidence of Mr Zohar Pas, the President of Morroccoanoil Inc, which is affiliated with Morroccoanoil Israel, the harm and damage caused by the offering for sale of the counterfeit product. The distribution of the counterfeit product damages the Plaintiff's reputation and reduces potential revenue due to the different quality of the counterfeit product, the lower price of the counterfeit product, consumer reaction, impact on the brand image of the product and on the retailers who sell the authentic product, and the inability of the Plaintiff to control the quality of the design or material used in the counterfeit product, among other harms.

[14] I find that there is evidence of infringement of the trade-mark through the offering for sale, sale, and distribution by the Defendant of the counterfeit Moroccan Oil Treatment in contravention of sections 19 and 20 of the Act.

[15] I also find that the Defendant, Mr Sivitilli, offered for sale and sold the product in contravention of subsection 7(b), (c) and (d) of the Act.

[16] I am further satisfied that the Defendant has no valid defence to the Statement of Claim.

[17] I am further satisfied that the Plaintiff has established that the Defendant received the following amounts, which included amounts for GST/HST which, as admitted by the Defendant, was not remitted but was retained by the Defendant. Because the amounts attributed to the GST/HST have not been paid, they must be included in the profits of the Defendant.

[18] For the first transaction, Mr Sivitilli received \$113,904 (including GST/HST) by cheque payable to North One. He then paid \$80,640 to American Industries plus a handling fee of \$80. For this transaction, Mr Sivitilli netted \$33,184.

[19] For the second transaction, Mr Sivitilli invoiced LND \$28,476 (including GST/HST) and directed that payment be made to Daka of \$20,160. For this transaction Mr Sivitilli netted \$8,316. In total, Mr Sivitilli made a profit of \$41,500 from these sales.

[20] Accordingly, this motion for summary judgment is allowed pursuant to Rule 215.

ORDER

THIS COURT:

1. **THIS COURT DECLARES AND ADJUDGES that** as between the Plaintiff and the Defendant, Edward Sivitilli, (the Defendant), the Canadian Trade-mark TMA 734 460, the Registered MoroccanOil Trade-mark (and the related MoroccanOil Canadian Trade-mark Applications and/or the MoroccanOil Get-up) (referred to as the Trade-mark) has been infringed by the Defendant by virtue of the sale of hair care products bearing the Trade-mark without the consent, license or permission of the Plaintiff contrary to section 19 of the *Trade-marks Act*, [the Act] RSC 1985, c T-13, as amended.

2. **THIS COURT ORDERS AND ADJUDGES that** the Defendant has directed public attention to the Defendant's hair care products in such a way as to cause or be likely to cause confusion in Canada between the products and the Plaintiff's authorised product contrary to the provisions of paragraph 7(b) of the Act.

3. **THIS COURT ORDERS AND ADJUDGES that** the Defendant has passed off the hair care products as those of the Plaintiff, contrary to paragraph 7(c) of the Act.

4. **THIS COURT ORDERS AND ADJUDGES that** the Defendant has used the Trade-mark in a false and material way which misled the public as to the character, quality or compositions of the Defendant's hair care products and as to the mode of the manufacture, production or performance thereof contrary to the provisions of paragraph 7(d) of the Act.

5. **THIS COURT ORDERS AND ADJUDGES that** the Defendant has depreciated the value of the goodwill attaching to the Trade-mark contrary to the provisions of subsection 22(1) of the Act.

6. **THIS COURT ORDERS that** the Defendant is restrained from offering for sale, displaying , advertising, selling, manufacturing, importing, exporting, distributing or otherwise dealing in hair care products not being those of the Plaintiff, bearing the Trade-mark or bearing any trade-mark or trade name confusing therewith.

7. **THIS COURT ORDERS that** the Defendant is restrained from reproducing, copying, or in any way using the Trade-mark or any other trade-marks or trade names confusing therewith in association with the hair care products which are not manufactured by or for the Plaintiff or in the advertising, promotion or displaying of same in association with such trade-mark.

8. **THIS COURT ORDERS that** the Defendant is restrained from directing public attention to the Defendant's hair care products in such a way as to cause or be likely to cause confusion in Canada between its hair care products and the products of the Plaintiff contrary to the provisions of paragraph 7(b) of the Act by the use of the Trade-mark or any trade-mark or trade name confusingly similar thereto.

9. **THIS COURT ORDERS that** the Defendant shall pay to the Plaintiff the sum of \$41,000 on account of damages, plus pre-judgment and post-judgment interest at the rate of 3% per year.
10. **THIS COURT RESERVES THE RIGHT to** make an Order as to costs of this motion and the action to date after receiving submissions from the parties. The Plaintiff is to serve and file its submissions within 7 days hereof, the Defendant shall then have 7 days to serve and file his submissions and the Plaintiff shall have 3 days to file any reply. Submissions are limited to a maximum of 5 pages and reply to 2 pages.

"Catherine M. Kane"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-1135-11

STYLE OF CAUSE: MOROCCANOIL ISRAEL LTD v
GARY HOWARD ET AL

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: January 28, 2013

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

DATED: June 17, 2013

APPEARANCES:

Georgina Starkman Danzig
David S. Lipkus

FOR THE PLAINTIFF

Edward Sivitilli

FOR THE DEFENDANT
(ON HIS OWN BEHALF)

SOLICITORS OF RECORD:

KESTENBERG SIEGAL LIPKUS LLP
Barristers and Solicitors
Toronto, Ontario

FOR THE PLAINTIFF

Edward Sivitilli
Toronto, Ontario

FOR THE DEFENDANT
(ON HIS OWN BEHALF)