

Federal Court
of Appeal



CANADA

Cour d'appel
fédérale

Date: 20100604

Docket: A-50-10

Citation: 2010 FCA 149

Present: SHARLOW J.A.

BETWEEN:

PAUL CHEUNG and LIONS COMMUNICATIONS INC.

Appellants

and

TARGET EVENT PRODUCTION LTD.

Respondent

Heard by teleconference at Ottawa, Ontario, and
Richmond and Vancouver, British Columbia, on June 4, 2010.

Order delivered at Ottawa, Ontario, on June 4, 2010.

REASONS FOR ORDER BY:

SHARLOW J.A.

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REASONS FOR ORDER

SHARLOW J.A.

[1] Paul Cheung and Lions Communications Inc. (collectively, “Lions”) have appealed, and the respondent Target Event Production Ltd. (“Target”) has cross-appealed, the judgment in action number T-702-08 (2010 FC 27). In that action, Target sought damages and other relief against Lions for copyright infringement and passing off in relation to Target’s business, the Richmond Night Market, which operated from 2000-2007. In the last three years the Richmond Night Market was located on the Vulcan Way Property in Richmond, British Columbia. The lease expired in 2007 and was not renewed. Beginning in 2008, Lions operated a similar market, called the Summer Night Market, at the Vulcan Way Property.

[2] Target's action was partly successful. It resulted in a judgment that reads as follows:

FOR THE REASONS GIVEN ABOVE, THIS COURT ORDERS AND ADJUDGES that the Plaintiff [Target] is hereby awarded:

- (i) Damages for copyright infringement and passing off in the amount of \$15,000.00 for which payment Lions and Paul Cheung are liable both jointly severally.
- (ii) Costs payable on a solicitor and client basis.
- (iii) Interest pursuant to the *Court Order Interest Act*, R.S.B.C. 1996.

THIS COURT ALSO DECLARES that copyright subsists in Target's Market Site Plan and that copyright was infringed in 2008 on the Vulcan Way Property with the construction of Lions' Market.

THIS COURT HEREBY ENJOINS the Defendants from further infringing the Plaintiff's copyright in Target's Market Site Plan by operating a market which is a substantial reproduction of Target's Market Site Plan. For greater clarity, I note that such infringement may be avoided in a variety of ways including but not limited to:

- Lions' purchase of Target's Market Site Plan;
- Lions' redesign of the Lions' Market so that it is no longer a substantial reproduction;
- Lions closure of the Lions' Market.

[3] As mentioned above, the judgment was appealed by Lions and cross appealed by Target. Lions' notice of appeal challenges most if not all of the substantive issues that were decided in Target's favour. It also challenges the award of solicitor and client costs on a number of grounds, including the failure of the judge to give reasons for awarding solicitor and client costs. Lions seek a stay of the judgment and the related cost assessment proceedings pending the disposition of the appeal and cross appeal. Their most pressing concern is the award of solicitor and client costs, for which Target is claiming approximately \$265,000.

[4] An interim stay was granted on May 20, 2010 pending the disposition of this stay motion, subject to the condition that Lions pay into court the amount of damages awarded at trial, \$15,000. That payment was made on May 20, 2010. The stay order now sought would require the \$15,000 to remain in court pending the disposition of the appeal and cross appeal.

[5] This motion was heard by teleconference. At the conclusion of the teleconference I informed the parties that the motion for a stay would be granted pending the disposition of the appeal and cross-appeal, subject to two conditions: (1) that the \$15,000 paid into court would be retained pending the disposition of the appeal and cross-appeal; and (2) that Lions use their best efforts to ensure that the steps required to have this matter made ready for hearing are completed expeditiously so that the hearing may be set down at the earliest available date. I also informed the parties that costs would be in the cause, and that my reasons for granting the stay would be issued shortly. These are those reasons.

[6] In support of the stay motion, Lions have submitted evidence, which remains unchallenged and uncontradicted, that (a) Lions Communications Inc. would be rendered insolvent if required to pay the \$265,000 costs pending the outcome of the appeal, (b) Mr. Cheung has no means of personally paying that amount, and (c) the costs assessment proceedings will require the expenditure of considerable resources in terms of time and legal expenses.

[7] Lions argues that if the solicitor and client costs are assessed at \$265,000 and they are compelled to pay that amount, they may be unable to recover the payment if their appeal of the costs

award is successful and the cross-appeal fails. That argument is based on Target's financial statements filed as exhibits in the proceedings in the Federal Court. Target argues that its financial statements demonstrate its solvency. That may be so as of the end of 2008. However, Target has not provided evidence of its current financial position.

[8] Based on the record before me, it is not clear whether the net asset position disclosed on Target's 2008 balance sheet takes into account legal expenses of \$265,000 that, according to Target's claim for solicitor and client costs, were incurred in the Federal Court proceedings. An expense of that magnitude accrued after the 2008 year end would increase Target's liabilities to the point where they would exceed the book value of its assets. Further, it is clear that Target has not operated a market since the Richmond Night Market closed in 2007. It is reasonable to infer, based on the evidence before me, that Target would not have the means to repay Lions \$265,000 if the solicitor and client costs are paid but the appeal is successful and the cross-appeal fails.

[9] Target also argues that Lions unreasonably delayed the bringing of this stay motion. The judgment under appeal was rendered in January of 2010. At the end of March, Lions learned the amount Target was claiming for its solicitor and client costs. Less than 6 weeks later, Lions wrote to the court to request an expedited hearing date for a stay motion, enclosing an affidavit, a draft notice of motion and a draft memorandum of fact and law. Target's counsel was copied with that material. During the intervening period, Lions tried without success to obtain Target's consent to defer the steps it was then taking to enforce the judgment, including the costs assessment proceedings. On the facts of this case, I am not persuaded that there was unreasonable delay on the part of Lions.

[10] I note parenthetically that counsel for Lions has made a number of allegations of improper behaviour on the part of counsel for Target. In my view, those allegations are not well founded and I have disregarded them. The record discloses that counsel for Target has moved promptly and perhaps somewhat aggressively to enforce the judgment and protect Target's interests, and has not acceded to any requests by counsel for Lions to cease those activities. However, I have no basis for concluding that any of those actions were improper.

[11] Target argues that Lions should be disentitled from claiming equitable relief because they have come to the court with unclean hands. That argument is based on evidence that in March of 2010, Lions carried on marketing activities using a site plan that, according to counsel for Target, is sufficiently similar to the site plan that is the subject of Target's copyright claim so as to constitute a further breach of Target's copyright. Target argues that Lions should have disclosed that its marketing activities in March of 2010 used that "similar" site plan. Target also argues that such use may be a breach of the injunction in the judgment under appeal.

[12] I am not persuaded that Lions had an obligation, when seeking the stay, to disclose that in March 2010 its marketing activities employed a particular site plan. The stay motion was not made *ex parte*. If I accept at face value the evidence submitted by Target in opposition to this stay motion, Target knew in March of 2010, before the stay motion was made, how Lions had conducted its marketing activities in March of 2010.

[13] As to the suggestion that Lions has further breached Target's copyright in the site plan or has breached the injunction, I note that the March 2010 site plan apparently used by Lions in that month bears some similarity to Target's copyrighted site plan, but it is also different in a number of respects. I am not prepared to find, based on the limited evidence before me, that Lions breached Target's copyright or the injunction in March of 2010.

[14] In determining whether to stay a judgment pending appeal, this Court has consistently followed *RJR-MacDonald Inc. v. Canada (Attorney General)*, [1994] 1 S.C.R. 311. According to that case, a stay may be granted if a serious issue is raised on appeal, the appellant will suffer irreparable harm if the stay is not granted, and the balance of convenience favours the appellant.

[15] Target has correctly conceded the existence of a serious issue on appeal. I need not comment further on the merits.

[16] As to the second test, I am satisfied that the financial position of Lions is such that it is likely to suffer irreparable harm if the stay is not granted. In that regard, I do not accept the submission of Target that the evidence of irreparable harm is insufficient or speculative. In my view, the record supports the inference that the payment of costs in the amount of \$265,000 would threaten the ability of Lions Communications Inc. to continue its business.

[17] Target has argued that I should take into account that the costs award may be assessed at some amount that is less than the \$265,000 claimed. Certainly that is possible, but I have no evidence that enables me to assess the merits of the claim, even if I were inclined to do so.

[18] I acknowledge the authorities in which the prospect of financial difficulty was held not to meet the irreparable harm test. However, I do not read those cases as establishing that financial difficulty can never be irreparable harm. In my view, this is a factual determination that must be made on a case by case basis.

[19] I conclude also that the balance of convenience favours Lions. I infer from the documentary evidence before me that there is a substantial risk of non-recovery if the appeal succeeds in relation to the award of solicitor and client costs. In that regard, I draw an adverse inference from Target's failure to provide current information about its financial position. On the other hand, while I accept that Lions would become insolvent if required to pay \$265,000 in solicitor and client costs now, I have no basis for concluding that Lions' financial position is likely to become worse, or that Target's ability to enforce its claim for solicitor and client costs would be impaired if the stay is granted and the appeal fails.

[20] Target has submitted that if a stay is granted, it should apply only to the execution of any assessment award. In my view, that is not an acceptable alternative because it would require Lions to expend resources on the assessment process. Those resources would be wasted if the appeal of the award of solicitor and client costs is successful.

[21] Lions has sought its costs of this motion on an “elevated scale”, meaning costs assessed under Column V of Tariff B of the *Federal Courts Rules*. I see no basis in this case for departing from the normal scale of costs for this motion (Column III), or for departing from the usual rule that costs of an interlocutory motion should be costs in the cause.

[22] Counsel for Lions argues, by reference to Rule 420 of the *Federal Courts Rules*, that whatever costs are awarded should be doubled because of what he referred to as an offer to settle made by letter in early May. Counsel for Target says that the letter in question was not an offer to settle and cannot justify an award of double costs. In fact, the letter was an offer by Lions to provide Target with security for the \$15,000 damage award (by a payment to counsel in trust or a payment into court) and not to seek a stay of the judgment, if Target would stop the costs assessment proceedings, refrain from bringing contempt proceedings, and make no “collateral attacks” on Lions’ business. Because I have determined that the costs of this motion are costs in the cause, it is not necessary to determine at this time whether this letter affects or should affect the quantum of costs on this motion. That issue should be addressed when the costs of the motion are determined after the disposition of the appeal and cross-appeal.

[23] In their submissions, both counsel attempted to suggest some amounts that might be appropriate for a lump sum award of costs of this motion. However, it was apparent that counsel

were not fully prepared to address the issue of the quantum of costs. For that reason, I will not fix the costs of this motion.

“K. Sharlow”

J.A.

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-50-10

STYLE OF CAUSE: Paul Cheung and Lions
Communications Inc. v. Target
Event Productions Ltd.

MOTION DEALT WITH BY TELECONFERENCE WITH APPEARANCE OF PARTIES

DATE OF TELECONFERENCE: June 4, 2010

REASONS FOR ORDER BY: Sharlow J.A.

DATED: June 4, 2010

APPEARANCES:

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