

Federal Court



Cour fédérale

Date: 20150424

Docket: T-985-14

Montréal, Quebec, April 24, 2015

PRESENT: The Honourable Madam Justice St-Louis

BETWEEN:

**MICHAELS STORES PROCUREMENT
COMPANY, INC. AND MICHAELS OF
CANADA, ULC**

Plaintiffs

and

**DAVID MICHAELS (SOMETIMES
CARRYING ON BUSINESS AS
MICHAELS.CA) AND MICHAELS INC.**

Defendants

JUDGMENT

UPON THE PLAINTIFFS' Motion for Default Judgment against David Michaels (sometimes carrying on business as michaels.ca) and Michaels Inc. [the defendants] served on each defendant on March 17, 2015 and filed on March 18, 2015;

UPON reading the plaintiffs' Motion Record and hearing the plaintiffs' representations;

AND UPON CONSIDERING that the plaintiffs' original Statement of Claim was served on each defendant and filed in April, 2014;

AND UPON CONSIDERING that the plaintiffs' Amended Statement of Claim was served to each defendant and filed in June, 2014;

AND UPON CONSIDERING that the defendants, despite having promised to do so a number of times, have failed to serve and file a Statement of Defence, or any other documentation, within the time prescribed by the *Federal Courts Rules*, SOR/98-106 [Rules];

AND UPON CONSIDERING that the plaintiffs have satisfied the requirement for bringing a Motion for a Default Judgment on their Amended Statement of Claim, pursuant to Rule 210 of the Rules;

AND UPON CONSIDERING that the defendants have also failed to serve and file a response to the plaintiffs' Motion for a Default Judgment;

AND UPON CONSIDERING that the defendants have presented a draft Statement of Defence on the day of the hearing, at which time they also wished to make representations;

AND UPON CONSIDERING that Michaels Inc. is a corporation, that it was still not represented by solicitor at the time of the hearing of the Motion for Default Judgment by this Court, that the Court did not grant it leave to be represented by one of its officers, as per Rule 120 of the Rules, and that Mr. David Michaels was therefore not allowed to make representations on its behalf;

AND UPON CONSIDERING that Mr. Michaels failed to defend himself and to submit a Response Record to the plaintiffs' Motion for Default Judgment and that his intervention in person at the hearing had to be limited;

AND UPON CONSIDERING that on a Motion for Default Judgment, all allegations of the Statement of Claim are to be taken as denied and that the plaintiffs bear the onus, and must lead evidence establishing, on a balance of probabilities, the claims set out in their Statement of Claim and their entitlement to the relief they are seeking (*Teavana Corporation v Teayama Inc*, 2014 FC 372 at para 4);

AND UPON CONSIDERING that the plaintiffs filed affidavits from 1) Ms. Heather Morschauser who confirmed the nature of the plaintiffs' business, its operation of a website along with its more than 1100 retail stores, the ownership of the plaintiffs' trade-marks and their use by the defendants, the latter consistently taking steps to mislead consumers into believing that the defendants are the plaintiffs or that they are associated with the plaintiffs; 2) Ms. Lindsey McCollam who was misled in the process she went through to report a complaint in that she expected to be dealing with the plaintiffs, but was instead unknowingly dealing with the defendant michaels.ca; and 3) Ms. Les Vass who confirmed having purchased items made available for sale from the defendant michaels.ca's website and who indicated having then been directed to one of plaintiffs' retail stores that Mr. Michaels qualified as one of his own;

AND UPON CONSIDERING that the plaintiffs have filed exhibits in support of their allegations and in support of the affidavits, confirming the claims;

AND UPON CONSIDERING that the evidence supports the plaintiffs' claim to a declaration that it holds exclusive rights to use its trade-marks;

AND UPON CONSIDERING that the evidence supports the plaintiffs' claim that the defendants infringed its exclusive rights to the use and benefit of the MICHAELS trade-marks, contrary to sections 19 and 20 of the *Trade-marks Act*, RSC 1985, c T-13 [the *Trade-marks Act*];

AND UPON CONSIDERING that the evidence supports the plaintiffs' claim that the defendants directed public attention to their wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time they commenced so to direct public attention to them, between their wares, services or business and the wares, services or business of the plaintiffs, contrary to subsection 7(b) of the *Trade-marks Act*;

AND UPON CONSIDERING that the evidence supports the plaintiffs' claim that the defendants used the plaintiffs' MICHAELS trade-marks in a manner that is likely to have the effect of depreciating the value of the goodwill attached thereto, contrary to subsection 22(1) of the *Trade-marks Act*;

AND UPON CONSIDERING that the evidence supports the plaintiffs' claim that the defendants have, for the purpose of promoting, directly or indirectly, the supply or use of a product or for the purpose of promoting, directly or indirectly, any business interest, by any means whatever, knowingly or recklessly made representations to the public that are false and misleading in a material respect, contrary to section 52 of the *Competition Act*, RSC 1985, c C-34;

AND UPON CONSIDERING that the plaintiffs seek that all issues concerned with the quantum of monetary remedies (profits, damages, punitive damages, interest) flowing from the

defendants' trade-mark infringements, passing-off, depreciation of goodwill and false and misleading statements be determined by reference, pursuant to Rule 153;

AND UPON CONSIDERING that the plaintiffs seek costs in an amount fixed at \$10,000.00.

THE COURT ORDERS AND ADJUDGES THAT:

1. The defendants acted contrary to sections 19 and 20 of the *Trade-marks Act* in infringing the exclusive rights to the use and benefit of the following Canadian Registered Trade-Marks owned by the plaintiffs:

- Canadian Registered Trade-mark TMA578207 "Michaels";
 - Canadian Registered Trade-mark TMA777410 "Michaels Arts, Craft & More";
 - Canadian Registered Trade-mark TMA539862 "Michaels the arts and craft store";
 - Canadian Registered Trade-mark TMA574815 "Michaels.com";
 - Canadian Registered Trade-mark TMA515320 "Michaels";
 - Canadian Registered Trade-mark TMA448805 "Michaels of Canada inc.";
 - Canadian Registered Trade-mark TMA539861 "Michaels the arts and craft store";
- and
- Canadian Registered Trade-mark TMA802982 "Michaels"

[herein collectively referred to as the MICHAELS trade-marks].

2. The defendants have directed public attention to their wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time they commenced so to direct public attention to them, between their wares, services or business and the wares, services or business of the plaintiffs, contrary to subsection 7(b) of the *Trade-marks Act*.

3. The defendants have depreciated the value of the goodwill attaching to the MICHAELS trade-marks, contrary to subsection 22(1) of the *Trade-marks Act*.

4. The defendants have, for the purpose of promoting, directly or indirectly, the supply or use of a product or for the purpose of promoting, directly or indirectly, any business interest, by any means whatever, knowingly or recklessly made representations to the public that are false and misleading in a material respect, contrary to section 52 of the *Competition Act*, RSC 1985, c C-34.

5. The defendants and their agents, employees, officers, directors, licensees, successors and assigns, as well as all others over whom any of the foregoing exercise control, are permanently enjoined from:

- a. selling, distributing or promoting wares or services in association with (or otherwise directing public attention to their wares, services or business by way of) any mark or name that is confusing with the MICHAELS trade-marks, including without limitation by using or promoting “michaels.ca” or “Michaels” (or anything confusingly similar) as or as part of any mark, name, domain name or social media account directly or indirectly in relation to any goods, service or business pertaining to the fields of arts, crafts, home décor, framing, party goods, scrapbooking or decorations including online or physical retail store services for same;

- b. from otherwise doing any act with the plaintiffs' registered trade-marks in Canada that is likely to have the effect of depreciating the value of the goodwill attached thereto;
 - c. for the purpose of promoting, directly or indirectly, the supply or use of a product or for the purpose of promoting, directly or indirectly, any business interest, by any means whatever, knowingly or recklessly made representations to the public that are false and misleading in a material respect, including without limitation any representation suggesting any form of business or other relationship between the defendants and the plaintiffs.
6. The defendants are directed to:
- a. transfer ownership and all rights of control over the domain name "michaels.ca" to the plaintiffs, as well as any other domain names owned and/or controlled by the defendants, be it directly or indirectly, that contain, are comprised of or are confusing with the MICHAELS trade-marks; and
 - b. direct the appropriate Registrars to transfer ownership and rights of control over all such domain names to the plaintiffs.
7. That all issues concerned with the quantum of monetary remedies (profits, damages, punitive damages, interest) flowing from the defendants' trade-mark infringements, passing-off, depreciation of goodwill and false and misleading statements be determined by reference, pursuant to Rule 153.

8. The defendants shall, jointly and severally, pay forthwith to the plaintiffs costs in the amount of \$2,500.00.

“Martine St-Louis”

Judge