

Jail time for store owner in trademark battle

BY MICHAEL MCKIERNAN

For Law Times

A Federal Court judge has fired a warning shot to blatant intellectual property infringers after jailing the owner of a marijuana paraphernalia store for contempt of court, according to an Ottawa intellectual property lawyer.

Ameen Muhammad, the sole officer and director of the corporation that owned the Hightimes Smokeshop and Gifts store in Niagara Falls, Ont., spent two weeks in prison after failing to abide by a contempt order that required he pay more than \$100,000 in costs and damages awards racked up over the last two years in a trademark infringement battle with Trans-High Corporation, the publishers of marijuana news magazine *High Times*.

"To see someone actually picked up and thrown in jail shows that the court is getting serious about standing behind its orders," says Daniel Anthony, a lawyer in the Ottawa office of intellectual property boutique Smart and Biggar. "In a context where the amount of counter-

feiting in our society is going up, I think the court is sensitive to the need, when it issues an injunction for any kind of blatant infringement, for some sort of consequence. It really comes through in the judgment that the court will not be disregarded."

Trans-High, which has owned and used the HIGH TIMES trademark in Canada since the early 1980s, launched a trademark infringement application against the Hightimes Smokeshop in 2013 after dispatching a private investigator to the store, which was founded in 2006, and finding its trademark in use on sales receipts, printed materials, and signage.

According to a November 2013 judgment by Federal Court Justice Michael Manson in which he declared that the smokeshop had infringed Trans-High's trademark, the shop's signage was dominated by the words "High Times" in a similar font used by the magazine.

"I find that there is sufficient evidence to show that there is a likelihood of confusion between the Applicant's use of its trade-mark HIGH TIMES for its magazines and related wares

sold through its magazines and website 'www.hightimes.com,' and the Respondent's prominent use of HIGH TIMES on its storefront and the use of the cannabis motif and sale of counterculture wares in its store is very similar to or the same as the Applicant's motif and wares sold in Canada," Manson wrote in a decision that also permanently enjoined the shop from associating itself with the High Times trademark.

Although the smoke shop took no part in the proceedings, it was still ordered to pay \$25,000 in damages for its "apparent willful infringement" and refusal "to even acknowledge" Trans-High's trademark rights. A further \$30,000 was awarded to the publisher in costs.

By mid-2014, the smoke shop had still not paid up, and another private investigator hired by Trans-High discovered the "High Times" signage and advertising still in place. After several warnings, the publisher initiated contempt proceedings against the shop and Muhammad, but these were halted in February when Muhammad agreed in a written settlement to comply with the 2013 order, and pay

an increased total bill of \$80,000 to cover the costs and damages in the original order, plus the costs of the contempt proceedings.

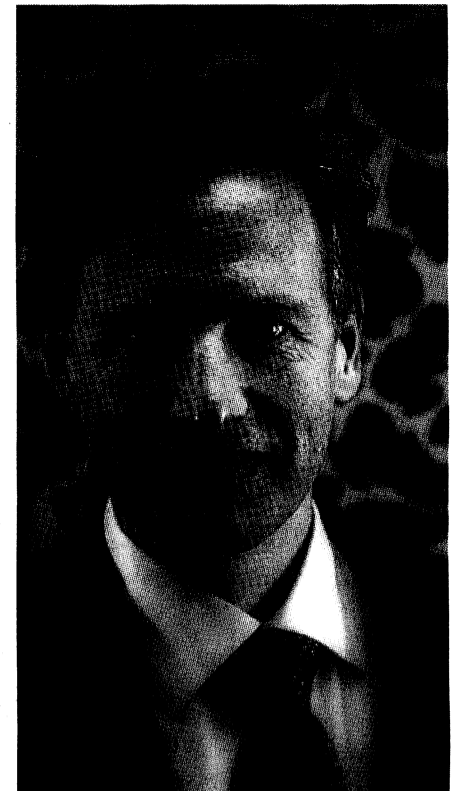
The High Times sign finally came down in March 2015 and the shop now goes by the name Stay High Live High, but Muhammad missed the agreed deadline for his payment, and at the reactivated contempt hearing in June 2015, he and his corporation pleaded guilty.

In a July 27 decision on penalty, Federal Court Justice Simon Fothergill ordered Muhammad and his company to pay a revised total of \$120,000 to Trans-High to account for the previous judgments and new legal costs, as well as a \$10,000 fine for contempt. However, Fothergill warned Muhammad that if the payments were not made within 30 days, the fine would rise to \$50,000 and he would find himself "liable to be imprisoned for a period of 14 days and to remain imprisoned until the full amount of the fines and costs is paid."

Three months later, payment was still not forthcoming, and Trans-High returned to court to enforce Fothergill's order. By this time, the judge's patience had run out, and he issued a warrant for Muhammad's arrest and imprisonment until the contempt was purged.

"Taking into account the Applicant's repeated offers of leniency, the Respondent's undertaking to pay in February, 2015, and the guilty pleas entered on June 18, 2015, I am left in no doubt that the Respondent and Mr. Muhammad are refusing to pay the amounts owed under the Contempt Order. They have had numerous opportunities to offer an explanation for their failure to pay, or to demonstrate an inability to pay, and they have not done so. Since the commencement of these proceedings, the Respondent and Mr. Muhammad have exhibited a brazen indifference towards the rights of the Applicants and the authority of this Court," Fothergill wrote in his Sept. 23 decision, explaining that the 14-day imprisonment "must now be enforced in order to compel compliance with this Court's Orders and to deter other similar conduct. Mr. Muhammad is not subject to imprisonment as a result of the unpaid debt, but rather for his deliberate refusal to comply with the Contempt Order despite his ability to do so."

Although prison has been used to enforce civil judgments before in Canada, Anthony says he's not aware of another intellectual property dispute that has resulted in jail for contempt of court. Fothergill's decision



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could prove a useful weapon for lawyers seeking to enforce court orders in infringement actions, he says, especially since the original action was against a corporation, and not Muhammad personally.

"There's no detailed analysis about puncturing the corporate veil, but it shows that you can't just rely on the idea that it's just the company that will be fined and held in contempt," Anthony says. "With general deterrence, the principle is that it's not just about getting one person in line but rather about sending a message in a broader way; you have to up the ante to warn others."

However, Taras Kulish, a member of the intellectual property practice group at Toronto firm Steinberg Title Hope and Israel LLP, says he's uncomfortable with a penalty as severe as the deprivation of liberty in an intellectual property dispute. Neither Muhammad nor his lawyer appeared at the enforcement motion, which was brought on an *ex parte* basis by Trans-High.

"I do find it a bit disturbing that someone is going to be committed, and all we the public have to rely on is a statement from the judge that he's satisfied this man is able but unwilling to pay. It may be that there is a strong basis for that conclusion, but I think the order should have more facts to make us understand without reasonable doubt that this person needs to be committed," Kulish says.

Despite Taras' concerns, Fothergill's ruling had the desired effect. Although it's not clear when he entered prison following the issuance of the Sept. 23 warrant for his arrest, according to the Federal Court docket, Muhammad was released from custody on Oct 24, two days after Trans-High confirmed receipt of the full \$122,000 owed to it. Muhammad had also finally paid his \$50,000 contempt fine the previous week.

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