

CANADA / JUDGMENT

Paragon Testing Enterprises Inc. v. Lee

2018 BCSC 634

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Supreme Court of British Columbia

DECIDED

19 April 2018

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2018 BCSC 634 Paragon Testing Enterprises Inc. v. Lee

IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation:

Paragon Testing Enterprises Inc. v. Lee,

2018 BCSC 634

Date: 20180419

Docket: S172558

Registry: Vancouver

Between:

Paragon Testing Enterprises Inc.

Plaintiff

And

Myungwoo Lee also known as Steven Lee, doing business as Central Learning Centre and Seung Hyun Kim, also known as Sean Kim

Defendants

Before: The Honourable Madam Justice W.A. Baker

Reasons for Judgment

Counsel for the Plaintiff:

H. Parsons

Place and Date of Hearing:

Vancouver, B.C.

March 26, 2018

Place and Date of Judgment:

Vancouver, B.C.

April 19, 2018

- [1] On this application for summary judgment made pursuant to Rule 9-7 of the Supreme Court Civil Rules, BC Reg 168/2009 the plaintiff, Paragon Testing Enterprises Inc. ("Paragon"), seeks injunctive relief, damages, return of profits, and punitive damages against the defendant, Mungwoo Lee, also known as Steven Lee, doing business as Central Learning Centre ("Lee"), in relation to Lee's breach of copyright and infringement of trademark, and improper use of materials owned and created by Paragon.
- [2] Lee was served with this application but did not appear. The defendant Seung Hyun Kim, also known as Sean Kim, has resolved his issues with Paragon, and provided an affidavit in support of Paragon's application. Mr. Kim did not appear on this application.

Procedural History

- [3] The Notice of Civil Claim was filed on March 17, 2017. On April 3, 2017 Paragon obtained an order permitting it to serve Lee with the Notice of Civil Claim by posting it on a door and emailing it to Lee at his email address. This order provided that all further service on Lee could be effected by delivering materials by email.
- [4] Lee was ordered to provide a Response, but did not do so.
- [5] On May 9, 2017 Paragon obtained default judgment against Lee. I was advised by counsel for Paragon that Lee was served with a copy of the default judgment, in accordance with the April 3, 2017 order.
- [6] The default judgment provided that Lee was liable to damages in an amount to be assessed, and provided that Paragon was at liberty to seek all relief sought against Lee at trial, including injunctive relief.
- [7] Paragon brings this application for determination of relief following the default judgment.

Background Facts

- [8] The Court in *E. Sands and Associates Inc. v. Dextras Engineering & Construction Ltd.*, 2009 BCSC 42 (appeal dismissed in 2009 BCCA 430) reviewed the law regarding the effect of a default judgment and concluded:
- [23] there is an abundance of case law that supports the plaintiff's position that when default judgment is taken the allegations in the statement of claim are deemed admitted and cannot be challenged at the stage of assessment of damages.

- [9] I have reviewed the factual allegations in the Notice of Civil Claim herein, which are deemed admitted by virtue of the default judgment entered against Lee. I was provided with two affidavits confirming some of the facts already admitted, and attesting to facts which support the relief claimed. I find the facts set out below have been established on the evidence and admissions before me.
- [10] Paragon carries on an English language proficiency testing business and as part of that business created a proficiency test known as the Canadian English Language Proficiency Index Program ("CELPIP"). CELPIP is one of two English language proficiency tests approved by Immigration, Refugees and Citizenship Canada. Canadian governmental agencies rely on the CELPIP test results as a valid indication of an applicant's English language proficiency.
- [11] Paragon is the owner of CELPIP and its related test preparation materials ("Paragon Materials"). Paragon is the sole owner of copyright in each of the Paragon Materials in Canada, and the Paragon Materials have been properly registered pursuant to the Copyright Act, RSC 1985, c. C-42.
- [12] The term "CELPIP" is a registered trademark owned by Paragon ("CELPIP Mark"). Paragon also owns a registered trademark in a design shaped like a leaf which is associated with CELPIP and Paragon's English language training, testing and test preparation services ("Leaf Mark").
- [13] By virtue of registering under the Trade-marks Act, RSC 1985, c. T-13, Paragon is entitled to the exclusive use throughout Canada of the CELPIP Mark and the Leaf Mark, including for English language training, testing and test preparation services.
- [14] By 2015, Lee, directly or through his agents, infringed Paragon's copyright by copying and reproducing in Canada all or substantial parts of the Paragon Materials, including educational materials, advertising, marketing, and promotional materials, for use in his business operating under the name Central Learning Centre. Lee used the Paragon Materials, and the CELPIP and Leaf Marks to provide the course content and educational materials he marketed through his business, all without authorization or consent from Paragon.
- [15] Lee infringed Paragon's trademarks in numerous ways, including:
- a) using the CELPIP and Leaf Marks in association with the Central Learning Centre course and website,
 - b) using the CELPIP and Leaf Marks in ways calculated to and having the effect of confusing, deceiving and misleading consumers and other persons into believing that the Central Learning Centre course, materials and website are approved or authorized by Paragon, and
 - c) inducing consumers and other persons into purchasing Central Learning Centre courses and materials instead of purchasing such materials from Paragon.

- [16] Mr. Kim was instructed by Lee to sign up for the Paragon CELPIP course for the express purpose of obtaining materials and information to be resold by Lee. Lee obtained at least one Paragon textbook, containing both the CELPIP and Leaf Marks as well as the Paragon Materials, which Lee photocopied and sold without permission from Paragon.
- [17] In addition to selling Paragon Materials, Lee or his agents prepared template answers to questions to the CELPIP exam for his customers to memorize when taking the CELPIP proficiency test, thereby undermining the integrity of the proficiency test.

Issue

- [18] Is Paragon entitled to the following relief against Lee: damages and a disgorgement of profits pursuant to the Copyright Act, damages pursuant to the Trade-marks Act, injunctive relief against Lee, and punitive damages?

Damages

- [19] Both the Trade-marks Act and the Copyright Act provide for awards of common law damages. Section 35(1) of the Copyright Act provides that a plaintiff is entitled to damages where copyright infringement has been established. Section 53.2 of the Trade-marks Act provides that a plaintiff is entitled to damages in relation to infringing behaviour. There is no material difference in the assessment of damages under the Trade-marks Act or the Copyright Act in this case.

Investigation

- [20] In approximately August 2016 Paragon became aware of unoriginal answers to the CELPIP test, which raised the suspicion of Paragon's security unit that an unauthorized CELPIP test preparation service was operating and the source of the suspicious answers.
- [21] Paragon began an investigation in November 2016 and identified Lee and the Central Learning Centre as using, selling and advertising unauthorized source material from Paragon, including copyrighted and trademarked works.
- [22] In December 2016 Paragon, through its counsel, contacted Lee and demanded that he stop offering the Central Learning Centre course which was based on the Paragon Materials. Lee responded to Paragon's counsel on December 27, 2016 stating that he would cease his activities and comply with Paragon's demands.
- [23] Paragon learned that Lee had not complied with its demands and on December 30, 2016 Paragon's counsel sent a second demand letter to Lee. On December 31, 2016 Lee again responded that he would cease his activities and comply with Paragon's demands.
- [24] In early January 2017 Lee reactivated the Central Learning Centre website and continued to use the Paragon Materials in his business.

- [25] Throughout January Paragon's counsel and Lee continued to exchange emails wherein Paragon demanded Lee cease his use of the material, and Lee continued to falsely state that he was ceasing use of the materials.
- [26] Lee was served with the May 2017 default judgment against him, yet has continued to use Paragon materials without abatement. Mr. Kim provided a copy of a website he located in October 2017 which continued to baldly advertise the use of the Paragon Materials, including CELPIP reading materials, test preparation material and actual test questions.
- [27] The total cost of Paragon's investigation into the use of Paragon's copyrighted and trademarked material by Lee was \$18,495.20.

Compromised Test Questions

- [28] Paragon's investigation determined that Central Learning Centre websites disclosed a total of 344 CELPIP test questions, 244 of which were detailed "test reviews" which disclosed the actual content a test taker took on a particular testing day.
- [29] All 244 of the questions identified as test review questions had to be retired as they were no longer valid. The publication and public dissemination of the test reviews rendered the questions incapable of accurately assessing the language proficiency of the test candidates.
- [30] Paragon has an obligation under its agreement with the Government of Canada to take measures to ensure the test scores are valid. As such, Paragon was required to retire and replace 244 test questions. This process involved external contractors preparing new questions and testing, reviewing and editing the new questions. In addition, Paragon incurred an internal cost of \$100 per new question, in reviewing and editing the questions.
- [31] The total cost to Paragon of replacing the compromised questions was \$62,301.34.

Lost Test Sales

- [32] Lee included two Paragon practice tests in the textbooks he copied and sold. Paragon offered those practice tests for sale for \$35 each on its website. Mr. Kim's evidence is that Central Learning Centre had approximately 238 students from May 2015 to March 2018. The total loss to Paragon resulting from Lee's sales of Paragon's practice tests is \$16,600.00 (\$35/test x 238 students x 2 tests).
- [33] I have considered below Paragon's claim for disgorgement of profits from the textbooks sales obtained by Lee. As such, I decline to award any damages for Paragon's lost textbook sales as to award both damages and lost profits on textbooks sales would essentially result in a double recovery.
- [34] Paragon has established that Lee infringed the copyright and trade-marks of Paragon, resulting in proven losses of \$80,796.54, comprised of:
- a) \$62,301.34 (cost of replacing compromised test questions), and

- b) \$18,495.20 (investigation costs).

Disgorgement of Profits

- [35] Section 35(1) of the Copyright Act provides that a plaintiff is entitled to disgorgement of profits, in addition to an award of damages, where copyright infringement has been established.
- [36] In this case Paragon has proven that Lee profited from his misuse of Paragon's copyrighted information. The revenue received by Lee has been estimated based on reasonable estimates of amounts charged for average purchases each month. This information is based on the personal knowledge of Mr. Kim while employed by Lee, and the knowledge of the Paragon investigator who purchased products from Lee.
- [37] Paragon has attempted to calculate the revenue received by Lee from the improper use of Paragon Materials. These calculations are based on evidence from Mr. Kim and the Paragon investigation. A Paragon investigator signed up for Lee's course and program and was able to gain knowledge of the amounts charged by Lee for various aspects of the program and materials. Similarly, Mr. Kim was able to provide evidence of charges, and the number of people accessing the program and materials in an average month.
- [38] I accept Paragon's estimate as a reasonable estimate of revenue received by Lee from his improper use of the Paragon Materials from May 2015 (when Mr. Kim began his employment with Lee) and March 2018 (the date of this application). This estimate is \$78,880 in total, based on the following:
- a) Revenue from online course from May 2015 to March 2018: \$27,200
 - b) Revenue from in class instruction from May 2015 to March 2018: \$34,000
 - c) Revenue from sale of textbooks: \$17,680
- [39] I find that Paragon has met the burden upon it to prove the revenue improperly received by Lee. Pursuant to s. 35(2) of the Copyright Act, once Paragon has met the burden to prove revenue derived from the infringement, the onus shifts to Lee to prove costs and expenses incurred to earn such revenue. Lee chose not to appear on this application, and provided no contradictory evidence. As such, Paragon is entitled to disgorgement of profits in the amount of \$78,880.00.

Injunctive relief

- [40] Injunctive relief is available where an infringement of copyright has been established. Section 34 of the Copyright Act and s. 53.2 of the Trade-marks Act provide that the holder of a copyright and trademark who has suffered an infringement is entitled to pursue injunctive relief in addition to damages. As held by the Federal Court of Appeal in *R. v. James Lorimer and Co.*, [1984] 1 F.C. 1065 (C.A.) at p. 1073:

The Act is clear. Infringement does not require that the infringing work compete in the marketplace with that infringed; it requires only that the infringer do something that the copyright owner alone has the right to do. It follows that, where infringement of copyright has been established, the owner of the copyright is *prima facie* entitled to an injunction restraining further infringement.

- [41] Paragon is entitled to injunctive relief because Lee has demonstrated a complete disregard for the rights of Paragon. Lee falsely told Paragon that he would stop using the Paragon Material, while at the same time telling Mr. Kim that he intended to continue his use of the material. Even after default judgment was granted against Lee, Lee continued to advertise courses based on CELPIP and the Paragon Materials, and using the Paragon copyrighted and trade-marked materials.
- [42] It is clear that damages and disgorgement of profits are not an adequate remedy in the face of such flagrant ongoing infringements. In this respect I am guided by this Court in *Century 21 Canada Limited Partnership v. Rogers Communications Inc.*, 2011 BCSC 1196:
- [373] However, where the defendant wrongfully interferes with the claimant's rights as an owner of property, and intends to continue that interference, the claimant is *prima facie* entitled to an injunction: *Hilton v. British Columbia (Ministry of Transportation and Highways)*, [1986] BCJ No. 1077 at para. 18 (SC) citing *Pride of Derby and Derbyshire Angling Association v. British Celanese Ltd.* [1953] Ch. 149 at 181; *Canadian Pacific Limited v. Paul et al.*, (1983), 2 D.L.R. (4th) 22 at 40, (NBCA).
- [43] While injunctive relief in *Century 21* was provided in respect of breach of contract, not copyright infringement, I find that the principles are equally applicable to copyright and trademark infringements. In particular, in *Louis Vuitton Malletier S.A. v. 486353 B.C. Ltd.*, 2008 BCSC 799 at para. 52 injunctive relief was awarded where both trademark and copyright infringements were established.
- [44] I am satisfied that permanent injunctive relief against Lee is necessary to protect Paragon's copyright and trademark rights, and ownership rights, in its materials. As such, Lee, his employees, agents and any persons associated with Lee, are permanently restrained from:
- a) Directly or indirectly copying, producing, reproducing or distributing in whole or in part Paragon's test called the Canadian English Language Proficiency Index Program ("CELPIP") or any related test preparation or sample test materials,
 - b) Directly or indirectly infringing Paragon's copyright in any works or other subject matter in which Paragon now, or in the future, may own copyright or may have an interest in copyright by license or otherwise,

- c) Promoting or otherwise directing public attention to the services or wares offered by any business associated with Lee, in a manner that misleads or is likely to mislead the public into believing that Lee or his business, services or wares are associated with Paragon or that any business operated by Lee is one and the same as Paragon's business, and
- d) From using the CELPIP Mark or the Leaf Mark for any purpose.

Punitive Damages

[45] Paragon seeks punitive damages against Lee in the amount of \$15,000.

[46] Punitive damages are awarded where the court finds a party's conduct to be egregious and worthy of rebuke. In considering whether to award punitive damages, the court will also consider whether damages already awarded are adequate in achieving the objectives of retribution, deterrence, and denunciation. In cases of copyright and trade-mark infringement, the Federal Court in *Louis Vuitton Malletier S.A. v. Singga Enterprises (Canada) Inc.*, 2011 FC 776 ("Louis Vuitton F.C.") has confirmed the applicability of the law in *Whiten v. Pilot Insurance Co.*, 2002 SCC 18:

163 Punitive damages are awarded when a party's conduct has been malicious, oppressive and high-handed, offends the court's sense of decency, and represents a marked departure from ordinary standards of decent behaviour. See *Whiten v. Pilot Insurance Co.*, 2002 SCC 18, [2002] 1 S.C.R. 595, at paragraph 36.

164 Punitive damages are awarded if all other penalties have been taken into account and found to be inadequate to accomplish the objectives of retribution, deterrence, and denunciation. See *Whiten v. Pilot Insurance Co.*, 2002 SCC 18, [2002] 1 S.C.R. 595, at paragraph 123.

165 The Supreme Court of Canada has recognized that it is rational to use punitive damages to relieve a wrongdoer of its profit where compensatory damages would amount to nothing more than a licence fee to earn greater profits through outrageous disregard of the rights of others. See *Whiten*, above, at paragraph 72.

166 The need for denunciation is augmented when conduct is more reprehensible. The Supreme Court of Canada has set out factors that inform the inquiry into a defendant's blameworthiness. These are:

- a. Whether the misconduct was planned and deliberate;
- b. The intent and motive of the defendant;
- c. Whether the defendant persisted in the outrageous conduct over a lengthy period of time;
- d. Whether the defendant concealed or attempted to cover up its misconduct;
- e. The defendant's awareness that what he or she was doing was wrong;
- f. Whether the defendant profited from its misconduct; and

- g. Whether the interest violated by the misconduct was known to be deeply personal to the plaintiff or a thing that was irreplaceable.

See Whiten, above, at paragraph 112-113.

- [47] I accept the evidence of Mr. Kim and the Paragon investigator that Lee deliberately used and sold Paragon Materials. Lee's business was based on the Paragon Materials, all without the consent of Paragon. Further, Lee used the Paragon Materials and tests to train applicants to cheat the CELPIP test system and deliver false results to the Canadian government relying on the CELPIP tests to determine language proficiency.
- [48] I find that Lee's motive in using the Paragon Materials in the way he did to be dishonest and deliberate.
- [49] Further, when Lee was confronted by Paragon he deliberately lied to Paragon when he stated that he would no longer use the material. He made these statements to Paragon, through communications he directed Mr. Kim to make, while at the same time telling Mr. Kim that they would continue to use the Paragon Materials in the same way they had been. This was a deliberate concealment of Lee's improper intent.
- [50] Lee has not responded to this litigation in any way. An order for alternative service was required, which permitted service by email at an address still active on Lee's website, but Lee has chosen to not participate or defend this litigation. He was served with the default judgment rendered on May 9, 2017, and continued to misuse the Paragon information after receiving the default judgment. I find that Lee's actions indicate a disregard for the legal process in British Columbia.
- [51] I find that Lee's conduct meets the test for punitive damages, as set out in Whiten, above, and Louis Vuitton F.C., above.
- [52] Paragon seeks an award of \$15,000 for punitive damages. I am satisfied that \$15,000 is appropriate and I award Paragon \$15,000 as punitive damages.

Conclusion

- [53] I find that Paragon is entitled to the following relief:
- a) Injunctive relief on the terms set out above,
 - b) Damages in the amount of \$80,796.54,
 - c) Disgorgement of profits in the amount of \$78,880, and
 - d) Punitive damages in the amount of \$15,000.

"Baker J."

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