

Federal Court



Cour fédérale

**Date: 20211201**

**Docket: T-129-20**

**Citation: 2021 FC 1336**

**Ottawa, Ontario, December 1, 2021**

**PRESENT: Mr. Justice McHaffie**

**BETWEEN:**

**ARK INNOVATION TECHNOLOGY INC.  
AND ARK PLATFORMS INC.**

**Plaintiffs**

**and**

**MATIDOR TECHNOLOGIES INC. AND  
WING CHUEN LAM A.K.A. VINCENT LAM**

**Defendants**

**PUBLIC JUDGMENT AND REASONS**

I. Overview

[1] Vincent Lam is a founder and former executive of Ark Platforms Inc, which developed and marketed map-based project management software under the name “Arkit.” A year or so after his departure from Ark Platforms in 2017, Mr. Lam and his new company, Matidor Technologies Inc, began marketing and licensing map-based project management software under the name “Matidor.” The plaintiffs, Ark Platforms and its successor Ark Innovation Technology Inc, claim Mr. Lam and Matidor have infringed copyright in the

Arkit software and promotional materials contrary to the provisions of the *Copyright Act*, RSC 1985, c C-42, and have engaged in passing off contrary to paragraph 7(b) of the *Trademarks Act*, RSC 1985, c T-13.

[2] The defendants admit the Matidor software infringed copyright in the Arkit software but contest the passing off claim. They also dispute the plaintiffs' claim for \$900,000 in damages and \$75,000 in punitive damages, and aspects of the injunctive relief sought. The plaintiffs' action was heard by summary trial on these disputed issues.

[3] I conclude the defendants have infringed copyright and that they engaged in passing off for a period in 2019. I award damages of \$277,400. I also order the defendants to deliver up infringing material and enjoin them from further infringement of copyright, on the terms described below. I decline to order punitive damages.

## II. Issues and Areas of Dispute

[4] The following issues are raised by the parties' memoranda of fact and law and their oral submissions at the hearing of the summary trial:

- A. Is this a suitable case for summary trial?
- B. Have the defendants infringed copyright and, if so, over what period?
- C. Have the defendants engaged in passing off?
- D. What remedies are appropriate and in particular:
  - (1) what damages, if any, should be awarded; and
  - (2) what is the appropriate scope of an injunction and order for delivery up?

[5] Some of these issues are not disputed. The parties agree summary trial is appropriate and ask the Court to decide the matter based on the evidence and arguments put forward at the summary trial. The defendants admit they have infringed copyright, although the scope and effect of that admission is in some dispute. In particular, the defendants admit the original version of the Matidor software, together with two subsequent versions that were the subject of expert evidence [the “December 2019 Version” and the “June 2020 Version”], infringe the plaintiffs’ copyright in the Arkit software. However, the defendants claim they continued to amend the Matidor software after June 2020 and that the plaintiffs have not established that later versions, and in particular the current version, are infringing. The defendants deny they engaged in passing off and seek dismissal of this aspect of the plaintiffs’ claim.

[6] With respect to remedies, the defendants dispute the plaintiffs’ claim for damages and punitive damages. They agree to the issuance of an injunction and an order requiring delivery up of any infringing copies of the relevant works, but argue the injunction and delivery up order should not refer to or prohibit them from using works “derived from” substantial reproductions of the works, as the plaintiffs request.

[7] With this brief overview of the issues in dispute, I will turn to a summary of the evidence filed before addressing the parties’ submissions in greater depth.

III. The Evidence Presented by the Parties on the Summary Trial

A. *The Plaintiffs' Evidence*

[8] The summary trial motion proceeded on the written records filed by the parties. No order to require a witness to attend for cross-examination before the Court was sought pursuant to Rule 216(3) of the *Federal Courts Rules*, SOR/98-106.

[9] The plaintiffs filed seven affidavits: two from representatives of the plaintiffs, Christopher Kam and Linus Yuen; two from an expert witness, Juseop Lim, comparing the Arkit software with the December 2019 and June 2020 Versions of the Matidor software, respectively; two from private investigators, Sydney Hallmark and Paige Renout; and one from a legal assistant, Sylvia Li, regarding uncontested communications and documents in the case. The plaintiffs also filed the transcript of the examination for discovery of Mr. Lam, responses to undertakings given on that examination, and transcripts from cross-examinations of the defendants' affiants, Mr. Lam and Jason Madar.

[10] I will discuss the substance of the plaintiffs' evidence as it pertains to the relevant issues in my analysis below. However, I make two preliminary observations regarding the plaintiffs' evidence.

[11] First, the plaintiffs filed the entirety of the transcript of the examination for discovery of Mr. Lam, in the apparent expectation that portions of that transcript would be "read in" at the summary trial, in the manner that discovery evidence is usually read in at trial pursuant to

Rules 288 and 289. However, evidence on summary trial is not adduced in the same manner as evidence at trial. Evidence at trial is governed by Rules 271 to 291. Evidence on summary trial is governed by Rule 216(1), which stipulates the evidence to be included in a motion record for summary trial:

**Motion record for summary trial**

**216 (1)** The motion record for a summary trial shall contain all of the evidence on which a party seeks to rely, including

- (a) affidavits;
- (b) admissions under rule 256;
- (c) affidavits or statements of an expert witness prepared in accordance with subsection 258(5); and
- (d) any part of the evidence that would be admissible under rules 288 and 289.

[Emphasis added.]

**Dossier de requête en procès sommaire**

**216 (1)** Le dossier de requête en procès sommaire contient la totalité des éléments de preuve sur lesquels une partie compte se fonder, notamment :

- a) les affidavits;
- b) les aveux visés à la règle 256;
- c) les affidavits et les déclarations des témoins experts établis conformément au paragraphe 258(5);
- d) les éléments de preuve admissibles en vertu des règles 288 et 289.

[Je souligne.]

[12] It is thus the inclusion of portions of a discovery transcript in a motion record that makes them part of the record of evidence on the summary trial motion, without the need to read them in at the hearing of the summary trial. An opposing party may object to the inclusion of a discovery transcript or parts of it on grounds that, for example, the evidence is not admissible under Rules 288 or 289. But the inclusion of the transcript in the motion record is the party's indication that it is "evidence on which the party seeks to rely." I note that, while the issue did

not result in a dispute between the parties in this case, in my view if a party includes the whole or a portion of the transcript of an adverse party's examination for discovery in their motion record, that evidence is then part of the record and may be referred to and relied on by either party.

[13] Second, the plaintiffs filed as part of their motion record not only the entire examination for discovery transcript of Mr. Lam, but all of the defendants' answers to undertakings given on that examination (including all of the documents produced in response to those undertakings, both separately and as an exhibit to Ms. Li's affidavit), and all of the defendants' productions as listed in their affidavit of documents (as an exhibit to Ms. Li's affidavit). A fair number of these documents were not referred to in the plaintiffs' written or oral submissions. While it may seem preferable to a party bringing a summary trial motion to file "everything" to avoid under-inclusion, particularly when documents are being filed electronically, it is important for parties to recall and recognize that Rule 216 calls on each party to include in their motion record the evidence, and only the evidence, on which they seek to rely.

B. *The Defendants' Evidence*

[14] The defendants filed two affidavits from Mr. Lam, the second simply correcting an error in one of the exhibits to the first; and an affidavit from an expert, Jason Madar, comparing the Arkit software with the December 2019 and June 2020 Versions of the Matidor software. The defendants also filed the transcript of their cross-examination of Mr. Kam. The plaintiffs' other affiants, Mr. Yuen, Mr. Lim, Ms. Hallmark, Ms. Renout, and Ms. Li, were not cross-examined.

[15] Neither party objected to the qualification of the other party's expert. Given the defendants' admission of copyright infringement, the parties placed less emphasis on the expert evidence at the summary trial.

#### IV. Analysis

##### A. *This is a Suitable Case for Summary Trial*

[16] The Court shall dismiss a motion for summary trial if “the issues raised are not suitable for summary trial” or if “a summary trial would not assist in the efficient resolution of the action”: Rule 216(5). Conversely, the Court may grant judgment if it is “satisfied that there is sufficient evidence for adjudication, regardless of the amounts involved, the complexities of the issues and the existence of conflicting evidence,” unless the Court considers “it would be unjust to decide the issues on the motion”: Rule 216(6).

[17] As the Court of Appeal confirmed recently, these provisions must be interpreted and applied consistently with the general principle in Rule 3, which seeks “to secure the just, most expeditious and least expensive determination of every proceeding on its merits”: *Viiv Healthcare Company v Gilead Sciences Canada, Inc*, 2021 FCA 122 at paras 35–37. In assessing whether summary trial is appropriate, issues such as the complexity of the matter, urgency, cost, time, expert evidence, and whether a summary trial risks “litigating in slices” are relevant factors: *Viiv Healthcare* at para 38 citing with approval *Wenzel Downhole Tools Ltd v National-Oilwell Canada Ltd*, 2010 FC 966 at para 38; *Bosa v Canada (Attorney General)*, 2013 FC 793 at para 22; *Tremblay v Orio Canada Inc*, 2013 FC 109 at para 24.

[18] In this case, the parties consent to the summary trial process. In my view, while this cannot be determinative, it is an important factor in assessing whether it is “suitable” and “just” to proceed by summary trial: *Tremblay* at para 26; *Boulangerie Vachon Inc v Racioppo*, 2021 FC 308 at paras 8, 12. If all parties are prepared to proceed through the simplified and typically less expensive summary trial process, this suggests it is just to proceed in this manner. I believe the Court should be reluctant in such circumstances to require the parties to incur the further cost and delay of proceeding to a full trial.

[19] As to the other factors, the issues in the case are detailed but not overly complex, pertaining primarily to the existence of passing off and to remedies. There is sufficient evidence for adjudication of these issues, in the form of the affidavits and transcripts described above. The evidence does conflict in places, raising some credibility issues, particularly in respect of the plaintiffs’ decision to change its name. However, conflicting evidence and credibility issues do not preclude summary trial, unless it would be unjust to decide the issues without trial:

Rule 216(6); *Kwan Lam v Chanel S de RL*, 2016 FCA 111 at para 16. Each party addressed the conflicting evidence in their submissions and neither suggested it made the matter unsuitable for summary trial. There is no risk of “litigating in slices,” as the summary trial addressed all issues in the case and will fully dispose of the action.

[20] I therefore agree with the parties that the matter is a suitable case for summary trial, that it would assist in the efficient resolution of the action, and that it would not be unjust to decide the issues in the case by summary trial.



B. *The Defendants Have Infringed Copyright*

(1) The works at issue

[21] The plaintiffs allege the defendants infringed copyright in five works: the Arkit software; two promotional documents in the form of case studies of Arkit customers; a product sheet for the Arkit software; and a promotional video [collectively, the Arkit Works]. They allege each of the Arkit Works was authored by employees of Ark Platforms (including, in some cases, Mr. Lam) in the course of their employment, and that Ark Platforms was therefore the first owner of copyright in the Arkit Works by operation of subsection 13(3) of the *Copyright Act*.

[22] Ark Platforms assigned its assets, including intellectual property rights, to Ark Innovation in February 2019. The plaintiffs therefore allege Ark Innovation owns copyright in the Arkit Works. The defendants admit Ark Innovation owns copyright, but has raised issues regarding the asset sale in another forum. I will address the asset sale and this litigation further below after describing the works in further detail.

(a) *The Arkit software*

[23] Arkit is map-based project management software, offered as a Software as a Service (SaaS) platform. As described in Mr. Kam's affidavit and in the documentary and video evidence, Arkit allows clients who have multiple projects in different geographic locations to visualize those locations on a map and manage the projects through use of filterable geospatial data, participant collaboration, task and budget tracking, document collection, and in-app

messaging. Clients pay annual subscription and license fees to access Arkit via a web browser. Arkit has been primarily marketed to the oil and gas, environmental, and energy services sectors.

[24] Arkit was first developed by Ark Platforms, a company founded by Mr. Kam and Mr. Lam in late 2011. Mr. Lam managed the software development, and during his tenure with Ark Platforms, Mr. Lam authored the Arkit code together with Mr. Yuen and others. The Arkit software was developed over time and continues to be developed and modified.

[25] The witnesses agree the Arkit software can be described as having a “front end,” which manages the user interface such as icons, menus, and images seen by the user, and a “back end,” which is the functional part of the program that organizes and manipulates project data, controls the functionality of the program, and cannot be accessed by a user. Within these general categories, the software is organized through numerous folders and files, totaling hundreds of thousands of lines of code. The parties agree, though, that the Arkit software as a whole constitutes a single “computer program” and “literary work” within the meaning of section 2 of the *Copyright Act*.

(b) *The promotional materials*

[26] The plaintiffs also plead infringement of copyright in four promotional works. The first two are case studies describing client use of the Arkit software, entitled “Medicine Hat – The Gas City” and “Summit Liability Solutions – A Customer Story” respectively. The case studies describe how Arkit was used by clients, the positive results achieved, and provide customer testimonials. The third promotional document is a one-page product sheet that gives an overview

of the software and its features, while identifying a number of Arkit’s clients by including their logos. The fourth is a two-minute promotional video entitled “Say Hello to Arkit,” which gives prospective customers a demonstrated overview of the nature of Arkit and its capabilities.

(c) *The asset sale*

[27] As noted, Ark Platforms sold its assets, including its intellectual property, to Ark Innovation in February 2019. While the defendants admit Ark Innovation owns the copyright in the works at issue, the asset sale is the subject of litigation in the Supreme Court of British Columbia bearing Court File No. VLC-S-S-202384. The BC proceeding was commenced by Mr. Lam by way of petition against the plaintiffs, Mr. Kam, and others. It seeks a declaration that the asset sale was oppressive or unfairly prejudicial to Mr. Lam as a shareholder of Ark Platforms. It also seeks an order setting aside the asset sale and other relief. In Mr. Lam’s petition and in the response thereto from the plaintiffs and others, the parties raise a number of factual allegations regarding Mr. Lam’s former employment with Ark Platforms, the circumstances of his departure, his demands for unpaid salary and other debts, the relationship between the two Ark companies, and the purchase price of the asset sale.

[28] The issues in the BC proceeding are not at issue in this action. The defendants initially contested Ark Innovation’s ownership of copyright when this action was brought in the name of Ark Innovation alone. However, after the statement of claim was amended to add Ark Platforms as a plaintiff, the defendants conceded that ownership was no longer a relevant issue.

[29] While each party raised factual allegations regarding the history of the relationship between Mr. Lam, Mr. Kam, Ark Platforms, and Ark Innovation, this Court does not have jurisdiction to decide the oppression remedy issues raised in the BC proceeding and does not need to address those issues to decide this case. Nor does this Court have the evidence necessary to make any determinations regarding the asset sale purchase price, other than to note that it is contested. I will refer to this issue further below since the parties referred to the asset sale in their submissions on damages.

(2) The allegations of infringement

[30] Mr. Lam was a co-founder of Ark Platforms in 2011, became its Chief Technology Officer in 2014, and subsequently its Chief Executive Officer. He resigned from Ark Platforms on August 31, 2017 after a falling out with Mr. Kam.

[31] Citing concerns about possible retaliation and prejudice by Mr. Kam, Mr. Lam retained copies of his work at Ark Platforms, including a copy of the Arkit source code as of August 2017, and various Ark marketing materials. Near the end of 2018, Mr. Lam began developing the Matidor software, using the copy of the Arkit source code as a starting point given his belief that Ark Platforms was in “sun-setting mode.” In December of 2018, Mr. Lam had a version of the Matidor software that was effectively the August 2017 version of the Arkit software, but with the names Ark Platforms and Arkit changed to Matidor.

[32] Between December 2018 and December 2019, Matidor contacted numerous prospective clients. By the fall of 2019, the defendants released a publicly accessible version of the Matidor

software. Mr. Lam admitted on his examination for discovery that the December 2019 Version of Matidor was “the Arkit code but rebranded as Matidor.” Mr. Lim’s first affidavit estimated that, leaving aside the name change from Arkit to Matidor in the code, about 98% of the lines of code were identical and all but nine of the 1,007 image files in the software were identical.

[33] Also in the December 2018 to December 2019 time frame, Matidor prepared marketing materials for the Matidor software that were simply copies of Arkit promotional materials with the name and logo of Arkit replaced by the name and logo of Matidor. This included the Medicine Hat and Summit Liability Solutions case studies, the product sheet, and the “Say Hello to Arkit” video retitled as “Say Hello to Matidor.”

[34] Ark Innovation became aware of Matidor and the “Say Hello to Matidor” video in April 2019. In December 2019, Ark Innovation hired Ms. Hallmark to record Mr. Lam giving a video demonstration of Matidor. Through Ms. Hallmark’s report and by visiting Matidor’s website, Ark Innovation also became aware of the other Matidor promotional materials. On December 23, 2019, counsel for Ark Innovation wrote to Mr. Lam asserting its copyright in the Arkit software and promotional material, alleging copyright infringement and passing off, and demanding the immediate discontinuance of the infringement.

[35] The defendants did not respond to the demand letter. However, they removed the promotional material from Matidor’s website and “accelerated” their development of the Matidor software. The lack of satisfactory response led to the filing of this action in January 2020.

[36] The defendants continued to market the Matidor software. In the course of this litigation, the defendants produced the June 2020 Version of the Matidor software which is the subject of Mr. Lim's second affidavit. While Mr. Lim's affidavits address the December 2019 Version and the June 2020 Version of the Matidor software, the plaintiffs' allegations are not limited to these particular versions, and the plaintiffs seek both damages and injunctive relief on the basis that the defendants have continued to infringe copyright in the Arkit software after June 2020.

(3) The defendants' admission of infringement

[37] As noted above, the defendants admit they have infringed copyright. In the defendants' memorandum of fact and law, this admission was expressed as follows:

The defendants admit the following:

- a. copyright subsists in the Arkit software, the Arkit promotional document entitled "Medicine Hat - The Gas City", the Arkit promotional document entitled "Summit Liability Solutions", the Arkit product sheet entitled "The Best Way to Manage and Share Location-Based Work" and the Arkit video entitled "Say Hello to Arkit" (collectively the "Arkit Works") and that the Plaintiff Ark Innovation Technology Inc. is the owner of such copyright; and
- b. the defendants have infringed copyright in the Arkit Works.

[38] The scope of this admission as it relates to the Arkit software was clarified at the summary trial hearing. As a first matter, the defendants confirmed the reference to the "defendants" having infringed copyright includes a concession that both defendants are liable for the infringement and any damages arising from that infringement.

[39] With respect to the software itself, the defendants confirmed they admit the December 2019 Version and the June 2020 Version of the Matidor software infringe copyright in the Arkit software. The admission that the June 2020 Version infringes does not signify that every line of code is the same as that in the Arkit software. Rather, it is an admission that the June 2020 Version reproduces a “substantial part” of the Arkit software: *Copyright Act*, ss 3(1), 27(1). In particular, the defendants contend that the June 2020 Version contained greater differences from the Arkit software in the front end than in the back end, an assertion borne out by the analysis in Mr. Lim’s second affidavit. Be this as it may, the parties agree the Arkit software is a single “literary work,” and the defendants admit the June 2020 Version of the Matidor software infringes that work by reproducing a substantial part of the Arkit software.

[40] The defendants do not admit that versions of the Matidor software subsequent to the June 2020 Version infringe copyright in the Arkit software. They claim Matidor continued to modify the software after June 2020 and continues to do so. They argue the plaintiffs have not established that any subsequent version of the Matidor software infringes copyright in the Arkit software. The defendants note that while they disclosed later versions of the software in the course of the litigation, including after Mr. Lam’s examination for discovery in December 2020, the plaintiffs did not request copies of those later versions and did not provide evidence demonstrating infringement by those later versions. They ask the Court to infer from the plaintiffs’ failure to request or file expert evidence with respect to the December 2020 version of the software that they have failed to prove infringement after that point. They further contend that the plaintiffs’ request for damages described as “springboard” damages amounts to an admission that the defendants are no longer infringing. However, they do not assert as a factual matter that the defendants stopped infringing at some point after June 2020 and before the summary trial.

(4) Findings regarding infringement

[41] It is an infringement of copyright for any person to do anything that only the owner of the copyright has the right to do, without the owner's consent: *Copyright Act*, s 27(1). The defendants admit that Ark Innovation is the owner of copyright in the Arkit Works. The defendants do not allege that they had the consent of Ark Innovation or its predecessor in title, Ark Platforms. The owner of copyright has the sole right to produce or reproduce the work or any substantial part thereof including, in the case of a computer program, the right to rent out the computer program: *Copyright Act*, s 3(1).

[42] I find the defendants infringed copyright in the Arkit Works. With respect to the Arkit software in particular, as the defendants admit, I find the original version of the Matidor software from 2018, as well as the December 2019 Version and the June 2020 Version of the Matidor software, infringed copyright in the Arkit software.

[43] I further find that the Matidor software infringed copyright in the Arkit software through to September 15, 2021, the date of Mr. Lam's final affidavit filed on the summary trial motion. I reach this finding based on the following reasoning and inferences from the evidence.

[44] I start with the fundamental premise that the onus is on the plaintiffs to prove their case of infringement on a balance of probabilities. This includes an onus to prove infringement as it relates to versions of the software asserted to have given rise to the plaintiffs' claim for damages. The defendant does not have to disprove infringement; the plaintiff must prove infringement.



[45] That said, proof of infringement may be through direct evidence such as source code comparison, or through indirect evidence and inference. The need to be able to draw such inferences is of particular importance in the context of software, where numerous changes, updates, and versions may be issued over time, and it may be difficult, expensive, or even impossible to have experts analyse every version of source code.

[46] The defendants admit that as of the June 2020 Version, the Matidor software continued to infringe copyright in the Arkit software. The evidence shows that the defendants continued to use and market the Matidor software from late 2018 to the present. Having filed expert evidence on the December 2019 and June 2020 Versions sufficient to obtain an admission of infringement from the defendants, were the plaintiffs required to file further evidence to establish infringement by subsequent versions, however many there may have been? In my view, the answer to this question lies in the nature of the evidence presented and the inferences that can be drawn about the software from the admissions, the evidence, and the defendants' failure to show that the software ceased infringing at any point.

[47] There is scant evidence regarding changes to the software after June 2020. At his examination for discovery in December 2020, Mr. Lam said that between December 2019 and the then current (December 2020) version, Matidor had "re-created the back and front end pretty much everything because this one is non-usable." At the same time, though, Mr. Lam also said Matidor had a minimum viable product for "the rewrite project" in April 2020, prior to the June 2020 Version that is conceded to infringe. The defendants do not point to any direct

evidence from Mr. Lam or any expert evidence regarding the nature or degree of changes to the software after June 2020.

[48] This is noteworthy in my view since the plaintiffs' summary trial motion record was filed on July 15, 2021. That motion record contained Mr. Lim's affidavits analysing the December 2019 and June 2020 Versions and the plaintiffs' arguments that these versions each infringed. The defendants filed their motion record on September 7, 2021. In their motion record, the defendants admitted infringement, but filed no evidence sufficient to allow the Court to conclude the admitted infringement ceased at any time after June 2020, either through ceasing to use or sell the Matidor software or by rewriting it so that it does not infringe.

[49] Rather, while Mr. Lam's affidavit filed in the defendants' motion record directly addresses the development of the Matidor software, it largely speaks to changes up to June 2020. Despite any such changes, the defendants concede the Matidor software infringed at that date. While Mr. Lam states that a version of Matidor used in a presentation in September 2020 "used new front-end source code developed earlier in 2020," he does not state whether this development was after June 2020. Nor does he say what, if any, further changes to the back end were made.

[50] Mr. Lam did include as Exhibit AE to his affidavit a summary of software developer time reports that extends to December 2020 and shows ongoing development in this period. However, there is neither information nor analysis about how this work changed the software. Given the extensive developer work that occurred before June 2020, all without changing the software

sufficiently to make it non-infringing, I cannot conclude based on the developer hours that the Matidor software ceased infringing at some point after June 2020.

[51] Mr. Madar's evidence also does not address any version after June 2020, even though that evidence was presented in the same motion record in which the defendants admitted that the June 2020 Version infringed copyright.

[52] The plaintiffs have established the June 2020 Version infringes and that the defendants continued to use the Matidor software after this date. Absent evidence that later versions of the Matidor software did not infringe, or were at least sufficiently different that conclusions about the June 2020 Version could no longer be relied upon, I infer that the Matidor software continued to infringe after the June 2020 Version. If the defendants wished the Court to limit its infringement finding to the June 2020 Version, it was open to them to file evidence on the summary trial motion to show the software changed enough that the Court could no longer infer it infringed based on the admission and earlier evidence. The defendants did not do so. In my view, it is insufficient in these circumstances for the defendants to rely on the plaintiffs' onus and the general allegation that the software continued to be modified after June 2020. I find the plaintiffs have shown on a balance of probabilities based on the evidence and inferences drawn from that evidence that the Matidor software infringed copyright in the Arkit software from its inception through to September 15, 2021.

[53] I will address below how this conclusion affects the assessment of damages and the nature of the injunctive remedy sought.

C. *The Defendants Engaged in Passing off*

[54] Paragraph 7(b) of the *Trademarks Act* represents a codification of the common law cause of action in passing off: *Kirkbi AG v Ritvik Holdings Inc*, 2005 SCC 65 at para 23; *Hidden Bench Vineyards & Winery Inc v Locust Lane Estate Winery Corp*, 2021 FC 156 at para 32. The paragraph reads as follows:

**Prohibitions**

7 No person shall

[...]

(b) direct public attention to his goods, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his goods, services or business and the goods, services or business of another;

**Interdictions**

7 Nul ne peut

[...]

b) appeler l'attention du public sur ses produits, ses services ou son entreprise de manière à causer ou à vraisemblablement causer de la confusion au Canada, lorsqu'il a commencé à y appeler ainsi l'attention, entre ses produits, ses services ou son entreprise et ceux d'un autre;

[55] To establish passing off under paragraph 7(b) of the *Trademarks Act*, a plaintiff must establish (1) the existence of goodwill; (2) a deception of the public due to a misrepresentation; and (3) actual or potential damage to the plaintiff: *Ciba-Geigy Canada Ltd v Apotex Inc*, [1992] 3 SCR 120 at p 132; *Sadhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2019 FCA 295 [*Hamdard Trust (2019)*] at para 38 citing *Kirkbi* at paras 66–69. In addition to this three-part test, a plaintiff must prove possession of a valid and enforceable registered or unregistered trademark: *Hamdard Trust (2019)* at para 39 citing *Kirkbi* at paras 3, 26.

[56] The plaintiffs' passing off claim is based on the unregistered trademark ARKIT. They allege the defendants misrepresented their Matidor software as being associated with the ARKIT trademark by taking the Arkit product and marketing materials and using them with the "Matidor" name; through reference to the ARKIT trademark and the suggestion that Matidor software was a "rebranded" version of the Arkit software; and by assuming control of the Ark Platforms Twitter social media account, which included references to Arkit, and using that account to promote Matidor.

[57] The defendants deny these allegations, arguing the plaintiffs have not established the existence of goodwill at the relevant date; that the statements they made were not misrepresentations; and that the plaintiffs have not proven any damages arising from their statements.

[58] For the following reasons, I conclude that the defendants engaged in passing off in 2019.

(1) Goodwill

[59] Goodwill for purposes of a claim in passing off requires that a mark be distinctive and possess reputation. This may engage consideration of factors such as inherent and acquired distinctiveness, length of use, volume of sales, extent and duration of advertising, and intentional copying: *Hamdard Trust (2019)* at para 48. I agree with the defendants that the relevant date for purposes of a passing off claim is the time the defendants commenced directing public attention to their goods and services in a manner alleged to have been confusing: *Trademarks Act, s 7(b)*; *Badawy v Igras*, 2019 FCA 153 at para 9. In other words, a plaintiff must have a valid and

enforceable registered or unregistered trademark, and must show goodwill associated with that trademark, at the time of the alleged passing off.

[60] In their motion record, the plaintiffs argued that the “relevant date” for the assessment of goodwill was August 2017. This was when Mr. Lam left Ark Platforms and took or maintained copies of the Arkit software and promotional materials. The plaintiffs’ evidence regarding goodwill was therefore primarily directed at this date. In particular, Mr. Kam’s evidence referred to Google Ads displays, customer contacts, one-on-one demonstrations, and group demonstrations that occurred in the period up to August 2017. He also estimated 75,000 to 100,000 people were directly exposed to Arkit before August 2017.

[61] At the hearing of the summary trial, the plaintiffs recognized that the material date for assessing goodwill had to coincide with the conduct they claim amounts to passing off. They allege this began in December 2018, the date Mr. Lam began to contact potential clients, created the “Matidor” version of the Arkit software, and copied the Arkit materials. The defendants argue that even this is too early a relevant date, since the plaintiffs’ main passing off allegations relate to statements made in December 2019.

[62] As I set out in the next section, I find that the defendants engaged in misrepresentation in association with the ARKIT trademark in December 2019. I conclude that this is the relevant date for the assessment of whether there was goodwill in the ARKIT trademark. Although this is over two years after much of the evidence going to goodwill, I find the plaintiffs’ evidence establishes the existence of goodwill in the trademark ARKIT in December 2019.

[63] I agree with the plaintiffs that ARKIT is inherently distinctive, without any apparent meaning. While there was evidence that Apple had a product named ARKit (Augmented Reality Kit), I do not think this materially reduces the inherent distinctiveness of the ARKIT trademark. The ARKIT trademark was used in association with the Arkit software in marketing to potential customers since about mid-2012 and with paying customers since April 2013. These factors are relevant to the issue of goodwill and speak in the plaintiffs' favour.

[64] As noted, much of Mr. Kam's evidence relates to the period prior to August 2017. This weakens the strength of the evidence as it relates to the existence of goodwill in late 2019. Some of Mr. Kam's evidence is also weakened by the fact that he provides only cumulative statistics over a period of many years, such as unique visits to Ark's website, Google Ads displays and clicks, and marketing expenses. In some cases, such as for marketing expenses (provided for an eight-year period from 2011 to 2019) and customer interactions (for the period between 2012 and 2017), no yearly breakdown is provided, making it difficult to assess how this information shows goodwill at the relevant time. In other cases, such as for Google Ad displays, the breakdown shows that exposure spiked in 2015 or 2016.

[65] Nevertheless, I am satisfied Mr. Kam's evidence as a whole demonstrates goodwill in the ARKIT trademark through at least December 2019. Goodwill in a trademark may fade and even disappear over time if that mark is no longer distinctive of the plaintiff or possesses no reputation. In the present case, however, the pre-2017 evidence of marketing and sales information is enough to show the ARKIT trademark had become known in the minds of the relevant public at that date. After that date, Ark Platforms and later Ark Innovation continued to

offer Arkit to customers, including a number of subscribers who continue to pay fees for the use of the product.

[66] Further, Mr. Kam stated that after June 2018, Ark Platforms did less digital marketing and focused on direct sales efforts, face-to-face business development, and cold calling. This included about 50 live demonstrations between August 2017 and February 2019, the date of the asset sale. Mr. Kam's affidavit also exhibited a marketing contact spreadsheet that shows thousands of calls and meetings with customers and prospective customers from 2016 through 2020. There is no direct evidence that these calls and meetings involved the use of the ARKIT trademark. However, since the Arkit software was the plaintiffs' only product, I am prepared to infer that at least a portion of these calls and meetings referred to Arkit either by name or in context, contributing to awareness of the trademark in the minds of the relevant consuming public and thus to the goodwill in it.

[67] The plaintiffs' marketing efforts significantly decreased after Mr. Lam left the company. This may well have resulted, as the defendants argue, in a reduction in goodwill in the ARKIT trademark. However, given the nature of the evidence and the time frames involved, I am satisfied on the evidence that the ARKIT trademark continued to have at least some protectable goodwill throughout this period. As this Court has said, it is not necessary for the plaintiffs' mark to be famous in order for it to enjoy protection of its goodwill: *Enterprise Rent-A-Car Co v Singer*, [1996] 2 FC 694 at p 709, aff'd 1998 CanLII 7405 (FCA).



[68] I also agree with the plaintiffs that the defendants' conduct in referring to itself as a "rebranded" version of the Arkit software supports a finding of goodwill. As the Court of Appeal has recognized, "intentional copying" may be a factor in assessing the existence of goodwill: *Hamdard Trust (2019)* at paras 48, 52; *Orkin Exterminating Co Inc v Pestco Co of Canada Ltd et al*, 1985 CanLII 157 (ON CA) at para 56. If a defendant has deliberately sought to associate itself with a trademark, this indicates the trademark has goodwill. This is not to say that the mere existence of a misrepresentation can alone be used as evidence of goodwill. Such an approach would risk reading the "goodwill" requirement out of the test for passing off, or at least conflating it with the second part of the test. However, as the Ontario Court of Appeal recognized in *Orkin*, if a trader "imitates the other's trademark or tradename knowingly and acts in other ways to convey the impression that his business is associated with the other, the inference may reasonably be drawn that there are prospective customers to be misled": *Orkin* at para 56 adopting the American Law Institute, Restatement of the Law of Torts, Tentative Draft No 8 (1963) at p 113; *Enterprise (FC)* at pp 709–710. As discussed in the next section, the defendants sought to convey this impression on at least one occasion.

## (2) Misrepresentation

[69] The plaintiffs do not claim the MATIDOR trademark is confusingly similar to ARKIT. Rather, they allege the defendants misrepresented Matidor and the Matidor software as being associated with Ark Platforms and the ARKIT trademark by conveying the impression that Matidor was simply a "rebranded" version of the Arkit software. As a general matter, the "deception of the public due to a misrepresentation" element of the passing off analysis does not require the use of a confusing trademark: *TFI Foods Ltd v Every Green International Inc*, 2021

FC 241 at paras 51–53. However, the misrepresentation must be related to a registered or unregistered trademark given the constitutional limitations of paragraph 7(b): *TFI Foods* at para 51.

[70] The plaintiffs point to three main aspects of the defendants’ conduct: their use of the Arkit marketing materials with the ARKIT trademark and logo replaced by the Matidor name and logo; their use of Ark Platforms’ Twitter account, which displayed the ARKIT trademark; and oral and written statements to the effect that the Matidor name and software was a “rebrand” of Arkit.

[71] In addition to infringing copyright, the Matidor marketing materials clearly include misrepresentations. For example, the Matidor version of the Medicine Hat case study indicates the city is a customer of Matidor, that it had data input into Matidor, and that Matidor’s software increased productivity. Similar statements are made in the Matidor version of the Summit Liability case study. These statements are not true. However, I agree with the defendants that these misrepresentations are not misrepresentations bearing on the goodwill in the ARKIT trademark. The statements do not themselves refer to Arkit or purport to associate Matidor with the plaintiffs or the ARKIT trademark. A connection could only be drawn between Matidor and the ARKIT trademark through these documents if the reader knew, for example, that Medicine Hat actually used the Arkit software rather than the Matidor software, or was familiar with the Arkit version of the case study. There is no evidence to support a conclusion that such a connection would be drawn.

[72] With respect to the Twitter account, it originally bore the handle @arkitapp. A video exhibited to Mr. Yuen's affidavit shows that in April 2019, the account had been changed to the handle @matidormap and the display name Matidor, while continuing to display earlier tweets that used the Arkit name. While these earlier tweets include the ARKIT trademark, I am not satisfied that their mere presence on the renamed Twitter account amounts to a misrepresentation within the meaning of the second branch of the passing off test.

[73] With respect to the allegation that the defendants directly misrepresented Matidor as a "rebrand" or continuation of Arkit, the plaintiffs point to four main pieces of evidence: two emails from Mr. Lam to potential customers dated October 10 and December 17, 2019; Ms. Hallmark's affidavit evidencing an online demonstration by Mr. Lam on December 12, 2019; and Ms. Renout's affidavit evidencing an interaction with Mr. Lam at a trade show in February 2020.

[74] In the October 10, 2019 email, Mr. Lam has a brief exchange with a contact who was apparently already known to him. The beginning of that email reads as follows: "Glad to hear from you again. Our new brand is now called Matidor (matidor.com), with the original creator, a full-stack tech team and a long-term roadmap behind it. The platform is operational and we are at the stag[e] where we needed to re-gain our foothold starting from Calgary." Even if one assumes the recipient of the email knew Ark Platforms and the ARKIT trademark, I cannot conclude the reference to "[o]ur new brand" suggests an association with Ark Platforms or the Arkit software as opposed to, say, a new brand for a new company with one of the original creators of Arkit. I

therefore find that this email does not amount to a misrepresentation that Matidor is associated with Ark Platforms or the ARKIT trademark.

[75] I reach the same conclusion with respect to the December 17, 2019 email. In that email, Mr. Lam wrote to a potential customer stating that “we are just resuming the operations after a major restructure of my previous venture, from which the predecessor of the product was created.” Again, no reference was made to the ARKIT trademark, the Arkit software, or to Ark Platforms. I accept that reference to a trademark need not be express if the connection would be understood by the audience. However, there is again no evidence, either in the email itself or elsewhere, to infer that the recipient of the email would have understood the reference to “a major restructure of my previous venture” or “the predecessor of the product” to refer to Ark Platforms or the Arkit software. As a misrepresentation for the purposes of passing off under paragraph 7(b) must be related to a registered or unregistered trademark, I cannot conclude that this email constitutes such a misrepresentation.

[76] I reach a different conclusion, however, regarding the defendants’ statements made during an online demonstration of the Matidor software on December 12, 2019. Ms. Hallmark’s affidavit shows that during the demonstration Mr. Lam advised that “the previous form of the [Matidor] product is called Arkit, and now we are rebranding it to Matidor.” While the defendants note that Mr. Lam also stated in the demonstration that “we are a fairly new company,” and made the partially true statement that he was “the original creator of the product” (he was one of a number), the overall impression of Mr. Lam’s words is that the Arkit software had simply been rebranded as Matidor, and not that Matidor was a competitive product to Arkit.

[77] I agree with the plaintiffs that stating that one's product is a "rebrand" of another product when it is not implies an association between them that amounts to a misrepresentation for the purposes of passing off.

[78] As described in paragraph [34] above, Ms. Hallmark's report led to counsel for Ark Innovation demanding the defendants cease their activities. This included the allegation that the reference to Matidor being a "rebranded" version of Arkit amounted to passing off. Mr. Lam stated that after receiving the demand letter in December 2019, Matidor ceased making statements regarding Arkit and Ark Platforms that did not specify the competitive and adversarial relationship between Matidor and Arkit/Ark Platforms.

[79] The plaintiffs allege that even after this letter, the defendants continued to state or imply that Arkit had been rebranded as Matidor. They point to Ms. Renout's affidavit regarding her discussion with Mr. Lam in February 2020 at a trade conference. During that discussion, Mr. Lam indicated his company had developed Matidor over the course of three years, and that he had recently created a new company called Matidor. He did not refer to Arkit until Ms. Renout raised the name, at which point Mr. Lam said that Arkit was his last company, that he had left the company, and that Matidor was competing with them. These are true statements that do not misrepresent an association with the ARKIT trademark. Mr. Lam did state in the same discussion that he had rewritten the whole program in a better way and was "not using any of their stuff." This was untrue, as is confirmed by the admission that the December 2019 Version of the Matidor software in use at the time was infringing. However, I again do not

consider this a misrepresentation pertaining to the trademark that would constitute passing off under paragraph 7(b).

[80] Mr. Lam was not cross-examined on his statement that Matidor ceased referring to Arkit without specifying the competitive relationship, and this appears concordant with the statements made to Ms. Renout in February 2020.

[81] I conclude that the statements made to Ms. Hallmark in December 2019 during the online demonstration constitute a misrepresentation for purposes of passing off. While this is the only instance identified in the evidence of Mr. Lam stating to a member of the public that Matidor was a “rebrand” of Arkit, I am prepared to infer that this statement to a private investigator reflected verbal statements made by Mr. Lam to other prospective customers in around this time frame. This inference is supported by Mr. Lam’s own evidence that he made “certain statements to a limited number of prospective clients” regarding Matidor and Arkit prior to December 2019.

[82] I therefore conclude that the defendants made misrepresentations to potential customers implying an association between Matidor and Ark Platforms in 2019, but ceased making those misrepresentations after receiving the demand letter in late December 2019.

(3) Actual or potential damage

[83] Damages in passing off cannot be presumed; they must be proven: *Cheung v Target Event Production Ltd*, 2010 FCA 255 at para 24. However, proof of damages need not be specific pecuniary loss associated with, for example, an identified lost sale. Rather, proof of a

loss of control over a mark is sufficient to ground the third component of the passing off test:

*Cheung* at para 28; *Sadhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2016 FCA 69

[*Hamdard Trust (2016)*] at para 31.

[84] The plaintiffs allege that Mr. Lam's statements resulted in uncertainty and confusion in the marketplace as to the nature of Matidor and the Matidor software. They point to a number of occasions in 2020 and 2021 where clients or potential clients noted the similarity between the Arkit and Matidor software. None of these directly or indirectly referred to any representation that Matidor was simply Arkit "rebranded." I find the plaintiffs have not established any specific instances of uncertainty and confusion in the marketplace arising from the actions constituting passing off. However, I am satisfied the plaintiffs have established that Mr. Lam's efforts to draw an association between Matidor and the Arkit software caused some degree of "loss of control over reputation, image or goodwill": *Hamdard Trust (2016)* at para 31. While this damage may not have been large, this is sufficient to satisfy the third element of the test for passing off. The quantification of this damage and its overlap with the plaintiffs' claim for damages for copyright infringement are discussed further below.

[85] Based on the foregoing, I conclude the plaintiffs have established that the defendants engaged in passing off in 2019.

D. *Remedy*

[86] The plaintiffs seek damages of \$900,000, together with punitive damages of \$75,000. They also seek delivery up of infringing materials in the defendants' possession and an injunction preventing further infringement.

[87] The defendants contest the claim for at large and punitive damages and allege the plaintiffs have not proven any damages. They consent to a delivery up order and an injunction, although they contest one element of the plaintiffs' requested orders.

(1) Damages

[88] The plaintiffs' request for damages does not distinguish between damages for copyright infringement and damages for passing off. Rather, they claim that an inclusive "at large" damage award of \$900,000 ought to be made to reflect the nature of the infringement, the value of the copyright, the conduct in passing off, and the benefit to the defendants of their infringement and passing off. I will first consider the concept of damages "at large" as presented by the plaintiffs, before turning to the grounds and figures the plaintiffs present to support the quantum of their claim.



(a) Damages “at large”

[89] In *Grand Financial Management Inc v Solemio Transportation Inc*, 2016 ONCA 175, leave to appeal ref'd 2016 CanLII 58416 (SCC), the Ontario Court of Appeal described damages at large in the following terms:

Damages at large may be awarded in cases of intentional torts, and to corporations in such circumstances where there has been injury to the corporation's reputation and associated economic loss.

Unlike pecuniary damages, such damages are not capable of being precisely measured and are more a matter of impression. As Kroft J.A. explained in *Uni-Jet [Uni-Jet Industrial Pipe Ltd v Canada (Attorney General)]*, 2001 MBCA 40], at para. 72:

[D]amages at large are a matter of impression; they must include the consideration of a host of circumstances involving both the particular plaintiff and the particular defendant, and they are likely to be unique in each case.

In *Howard v. Madill*, 2010 BCSC 525, at para. 89, Bruce J. summarized the principles relating to the assessment of damages at large, as canvassed in *Uni-Jet*:

An accurate summary of the law with respect to the assessment of damages at large, and the circumstances in which such an award may be made, is contained in *Uni-Jet* at paras. 66 to 73. I summarize these principles as follows:

1. Damages other than for pecuniary loss are “damages at large” and generally include compensation for loss of reputation, injured feelings, bad or good conduct by either party, or punishment.
2. Damages at large are compensatory for loss that can be foreseen but cannot be readily quantified.

3. Damages at large are a matter of discretion for the trial judge and are more a “matter of impression and not addition.”
4. Where damages at large are imposed for intentional torts, the assessment of damages provides an opportunity to condemn flagrant abuses of the legal process.

I too would adopt this summary.

Damages at large for intentional torts include damages for loss of reputation, but are not limited to that type of loss. As the authorities above demonstrate, they include as well damages reflecting the court’s condemnation of flagrant abuses of the legal process. Generally speaking, they are compensatory for loss that can be foreseen, but not readily quantified. The trial judge applied these factors.

[Emphasis added; some citations omitted; *Grand Financial* at paras 82–86.]

[90] I note first that I agree with the plaintiffs that caution is warranted regarding the inclusion of “punishment” in the Manitoba Court of Appeal’s summary of the principles governing damages at large in *Uni-Jet*, adopted in *Grand Financial*. The Court in *Uni-Jet* adopted an approach to “damages at large” from Lord Hailsham of St. Marylebone’s speech in *Cassell v Broome*, which appears to contemplate damages “at large” as covering both compensatory and punitive damages: *Cassell & Co Ltd v Broome*, [1972] AC 1027 (UK HL) at pp 1072–1074. However, in *Hill v Church of Scientology*, the Supreme Court of Canada distinguished between “aggravated damages” (compensatory damages that reflect the additional harm caused by outrageous and malicious conduct) and “punitive damages” (non-compensatory damages designed to punish and deter), noting that “unlike compensatory damages, punitive damages are not at large” [emphasis added]: *Hill v Church of Scientology of Toronto*, [1995] 2 SCR 1130 at paras 188–191, 196–199; *Bauer Hockey Corp v Sport Maska Inc (Reebok-CCM Hockey)*, 2014

FCA 158 at paras 23, 26. Notions of punishment appear to be best addressed in the assessment of punitive damages, rather than being part of an assessment of damages “at large” or other compensatory damages: *NOVA Chemicals Corporation v Dow Chemicals Company*, 2020 FCA 141 at para 29, leave to appeal granted 2021 CanLII 42376 (SCC).

[91] In seeking damages at large, the plaintiffs emphasize that damages for copyright infringement may be awarded without proof of specific damages, particularly given the difficulty in proving damages that may arise in some copyright cases: *Leuthold v Canadian Broadcasting Corporation*, 2007 FC 7 at para 11; *Trimble Solutions Corporation v Quantum Dynamics Inc*, 2021 FC 63 at para 67. The plaintiffs also note the broad remedial powers of the Court in cases of copyright infringement as set out in sections 34(1) and 35 of the *Copyright Act*: *Slumber-Magic Adjustable Bed Co Ltd v Sleep-King Adjustable Bed Co Ltd et al*, 1984 CanLII 54 (BC SC).

[92] The defendants do not contest the Court’s ability to grant damages at large for copyright infringement. However, they rightly point out that the availability of damages at large does not excuse a plaintiff from proving their damages claim. The defendants note the difference between an inability to prove damages because no damages have been incurred and a difficulty in proving damages because, for example, a defendant has not responded to proceedings or the number of lost sales cannot be readily quantified. The onus remains on a plaintiff to prove their damages claim. As the defendants also point out, the fact that some heads of damage may be appropriately awarded as general damages or damages at large does not mean that all damages should be quantified on this basis.

[93] I also agree with the defendants that “damages at large” does not necessarily mean “large damages.” There may be a “rough and ready” aspect of an assessment of damages and/or profits: *Slumber-Magic*. However, the assessment of compensatory damages remains an assessment of the damage caused and/or profits gained by the infringement: *Copyright Act*, s 35(1). Damages for copyright infringement, as with other aspects of copyright law, must recognize the fundamental balance in the *Copyright Act* between “promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator (or, more accurately, to prevent someone other than the creator from appropriating whatever benefits may be generated)”: *Théberge v Galerie d’Art du Petit Champlain inc*, 2002 SCC 34 at para 30. Monetary remedies for copyright infringement seek to cure the harm to the plaintiff and/or prevent the defendant from being enriched by its infringement: *Copyright Act*, ss 34(1), 35(1); *Cinar Corporation v Robinson*, 2013 SCC 73 at para 86. However, subject to the imposition of punitive damages, they should not over-compensate a plaintiff by providing a financial windfall if the infringement has not caused actual harm to the plaintiff or benefit to the defendant.

(b) *The plaintiffs’ damages submissions*

[94] To support their claim for damages at large of \$900,000, the plaintiffs refer to various financial calculations, presented at the summary trial in the form of a “tabulation of profits and damages.” This tabulation included an estimate of the plaintiffs’ damages and an estimate of the defendants’ profits, including the assertion that the defendants were unjustly enriched by the value of the Arkit software.

[95] As the Supreme Court has noted, subsection 35(1) of the *Copyright Act* provides a “dual remedy” for copyright infringement, allowing recovery of the plaintiff’s losses and disgorgement of the defendant’s profits: *Cinar* at para 86. Subsection 35(1) reads as follows:

**Liability for infringement**

**35(1)** Where a person infringes copyright, the person is liable to pay such damages to the owner of the copyright as the owner has suffered due to the infringement and, in addition to those damages, such part of the profits that the infringer has made from the infringement and that were not taken into account in calculating the damages as the court considers just.

**Violation du droit d’auteur : responsabilité**

**35(1)** Quiconque viole le droit d’auteur est passible de payer, au titulaire du droit qui a été violé, des dommages-intérêts et, en sus, la proportion, que le tribunal peut juger équitable, des profits qu’il a réalisés en commettant cette violation et qui n’ont pas été pris en compte pour la fixation des dommages-intérêts.

[96] As subsection 35(1) refers to recovery of such part of the infringer’s profits that were not taken into account in calculating damages, I will begin with a consideration of the plaintiffs’ tabulation of its damages, followed by their tabulation of the defendants’ profits.

(i) Plaintiffs’ damages

[97] The plaintiffs allege they have lost profits of \$777,500 owing to the defendants’ conduct. This is calculated by multiplying a yearly profit of \$155,500 by five years. The \$155,500 figure stems from Mr. Kam’s statements regarding lost client revenues for eight different clients, totalling \$195,500, less average sales and marketing expenses of \$40,000. The plaintiffs also allege they incurred rebranding costs of \$100,000 as a result of having to rebrand Ark Innovation

and Arkit due to the defendants' conduct. Based on these claims, the plaintiffs' tabulation calculates their damages at \$877,000.

[98] The plaintiffs' claim greatly overstates the damages they have suffered.

[99] The plaintiffs' tabulation includes claims for two potential clients, Whitecap and Tidewater, who were never customers of either the plaintiffs or the defendants. Mr. Kam quotes statements by these companies' representatives that refer to Matidor. He notes they have not signed contracts with Ark Innovation and implies this is due to Matidor. I am not satisfied that Mr. Kam's implication is anything more than speculation. The plaintiffs have not satisfied me they lost any revenue from Whitecap or Tidewater that can be attributed to copyright infringement or passing off by the defendants.

[100] The plaintiffs' tabulation also includes a claim for another potential client, Ridgeline, who ceased being a customer of Ark Platforms in April 2018, long before the defendants began offering their infringing Matidor Software. While Matidor referred to Ridgeline as a client in marketing materials, this appears to have been another false statement by Matidor based on Ridgeline's former relationship with Ark Platforms. I am not satisfied the plaintiffs have shown on the evidence that they either lost Ridgeline as a client due to the actions of Matidor or lost a later sale of the Arkit software to Matidor.

[101] I agree with the plaintiffs that Matidor's licenses to four customers, namely Vertex, First Green Bank Network (FGBN), Rife, and [REDACTED], represent damage to the plaintiffs in the

form of lost sales. It is clear that these four customers were interested in licensing map-based project management software. By selling subscriptions to the infringing Matidor software, the defendants prevented the plaintiffs from undertaking such sales.

[102] I do not accept the defendants' argument that the plaintiffs did not file evidence to show that they would have been clients of the Arkit software had it not been for their agreements with Matidor. This is not a case where the highly discounted "counterfeit" nature of a good may indicate that a consumer would not purchase the higher priced genuine article: *Oakley, Inc v Doe*, 2000 CanLII 15963 (FC) at para 9; *Louis Vuitton Malletier SA v Singa Enterprises (Canada) Inc*, 2011 FC 776 at para 127. Rather, the evidence indicates that this is a narrow market of reasonably sophisticated consumers, with the Matidor software being largely indistinguishable from the Arkit software given its infringing nature. The evidence also shows Mr. Lam downloaded a copy of Ark Platforms' client lists shortly before his resignation and that the defendants directly marketed the Matidor software to active prospects of Ark Platforms. In such circumstances, I am satisfied that a sale of the Matidor software represents a lost sale of the Arkit software.

[103] That said, I do not accept the plaintiffs' assessment of the anticipated lost profits from those sales. I begin with Vertex, who was a former customer of Ark Platforms. As with Ridgeline, Vertex ceased paying Ark Platforms under that agreement long before the defendants began offering Matidor software. Vertex appears to have concluded it was unwilling to pay the higher license fees payable in the later years of its license. In these circumstances, I cannot conclude Vertex would have entered into a license with the plaintiffs at \$44,000 per year as they

contend. Nor can I conclude that the plaintiffs lost multiple years of contracts with Vertex, given that they only entered into a one-year agreement with Matidor.

[104] With respect to FGBN, Rife, and [REDACTED], the plaintiffs value their loss at four years' worth of license fees at \$ [REDACTED] each per year, claiming this to be the mid-range of Arkit's software contracts. However, Mr. Kam's assertion that annual subscription fees for Arkit were in the range of \$ [REDACTED] to \$ [REDACTED] for 3-5 year contracts appears to be a generous overstatement compared to the evidence of the agreements produced and the amounts actually paid by Arkit's customers. Further, these figures are given with reference to August 2017, when Mr. Lam resigned. Mr. Kam himself recognized that after Mr. Lam's departure, Arkit had difficulty keeping and attracting clients, even before Matidor appeared on the scene.

[105] Based on this evidence, I conclude that a reasonable estimate of each lost annual subscription sale of Arkit due to these licenses is \$ [REDACTED]. I multiply this by two years for each of FGBN, Rife, and [REDACTED], and by one year for Vertex. With respect to the expenses associated with these agreements, the plaintiffs proposed an overall attribution of expenses based on their average yearly sales and marketing spend. I think it appropriate to attribute approximately \$ [REDACTED] to each yearly agreement, and therefore conclude the plaintiffs' lost profits from sales arising from the defendants' sales of the infringing Matidor software to these four clients is \$91,000.

[106] The plaintiffs also assert they were required to reduce their license fee to one client, Summit Liability Solutions, from \$ [REDACTED] to \$ [REDACTED] for the remaining 3 years of their contract. This reduction was prompted by Summit's concern that the drop in oil prices and the onset of the



COVID-19 pandemic meant it was unable to continue to pay the \$ [REDACTED] fee. While this was the stated motivation, Summit also said it could go to Matidor “for a price-match” if the plaintiffs were unwilling to lower their fee. In light of Summit’s stated reason for the desired renegotiation, and the fact that Summit’s contract included a modest termination fee that would allow them to leave the contract at any time, I am unable to attribute the full \$ [REDACTED] per year price reduction to the defendants’ copyright infringement as the plaintiffs claim. Nonetheless, the fact that Summit could refer to the infringing Matidor software as a tool in that negotiation indicates some damage to the plaintiffs from Matidor’s existence on the market. I am prepared to ascribe \$5,000 of the annual reduction, for a total of \$15,000, as being caused by the copyright infringement.

[107] In this regard, I reject the defendants’ argument that the evidence of statements made by Summit’s representative is inadmissible hearsay. Mr. Kam was a party to the conversation with Summit and reported directly on what Summit said. The statements are put forward as evidence of what Summit said and not for the truth of Summit’s statements, *e.g.*, Summit’s actual ability to pay the annual fee. What is important is that Summit was able to raise the existence of the infringing Matidor software in negotiations and did so. I conclude these statements are not filed in evidence as improper hearsay.

[108] The plaintiffs contend that their experience with Summit is indicative of other price depression caused by the infringing Matidor software. I am not satisfied that the general statements made by Mr. Kam in this regard are sufficient to prove broader damage from a generalized downward price pressure.

[109] Mr. Kam also refers to a number of statements from clients, including Whitecap and Tidewater, as evidence of uncertainty, confusion, and “loss of market niche.” I am satisfied that these reported conversations and emails from the 2020 to 2021 time frame show some reputational damage to Arkit in the form of generalized customer concerns arising from the presence in the marketplace of Matidor’s infringing software and what it means for Arkit’s ability to continue to serve its customers. Again, I do not accept the defendants’ arguments that these statements represent hearsay, as their relevance lies in the fact of the statements being made. As noted above, I also accept that damage to the plaintiffs’ goodwill of a similar nature was occasioned by the defendants’ passing off in suggesting an association between Matidor and Ark Platforms in 2019, such that there is overlap between the damage caused by the copyright infringement and the passing off under this head. That said, the overall evidence of reputational harm from both of these impacts is modest. My best estimate of compensation for the harm to the plaintiffs’ reputation and goodwill is general damages in the amount of \$5,000.

[110] Finally, Mr. Kam claims that due to the reputational damage suffered by Arkit owing to Matidor, “we made the difficult decision to rebrand Arkit to ‘FieldShare’.” He asserts Ark Innovation has spent in excess of \$250,000 to transform Arkit to FieldShare. The plaintiffs’ tabulation claims \$100,000 of these rebranding and transformation costs, reduced from their original claim for the full amount.

[111] While Mr. Kam claims the rebranding to FieldShare was due to Matidor, the defendants point to evidence that the intention to rebrand stems from early 2019, long before Matidor appeared on the market. They point to the domain name Fieldshare.io having been registered in

June 2019, and to a statement on Arkit’s website, first seen in April 2021, that “Our rebranding journey from Arkit to Fieldshare has been in planning for almost 2 years.” This information accords with the allegations made by Ark Innovation and its principal, Edwin Tseng, in their response to the BC oppression litigation:

Mr. Tseng also intended to change the name of the Arkit software as its name was similar to an Apple product called ARKit (Augmented Reality Kit). Internet searches for Arkit led to search results for ARKit causing confusion to clients and potential clients. As a result, Ark Technology purchased the internet domain name for “fieldshare.io” in June, 2019.

[112] In light of this evidence and the statements made by Ark Innovation, Mr. Kam’s assertion that the rebranding was due to Matidor appears to be nothing more than an unsubstantiated effort to increase the plaintiffs’ claim for damages. The plaintiffs’ submission that the above evidence referred in some way to rebranding only the Arkit product rather than rebranding the entire business is wholly unpersuasive. The plaintiffs’ rebranding and transformation costs were not caused by or attributable to either copyright infringement or passing off by the defendants.

[113] I therefore conclude the plaintiffs have established damages from copyright infringement and passing off in the amount of \$111,000, consisting of \$91,000 for lost sales, \$15,000 for the Summit price reduction, and \$5,000 in harm to reputation and goodwill.

(ii) Defendants’ profits

[114] The plaintiffs also seek to support their claim for \$900,000 in damages at large through a calculation of the defendants’ profits from licensing the infringing Matidor software. They point in particular to revenues from a software development project known as the “LifeSaver project,”

and to subscription revenues received from licenses of the infringing Matidor software. With respect to each, the plaintiffs note that in proving profits, they are required to prove only “receipts or revenues derived from the infringement,” while the defendants must “prove every element of cost that the defendant claims”: *Copyright Act*, s 35(2). The plaintiffs further allege the defendants were enriched by the value of the Arkit software.

[115] The defendants claim the revenues received from the LifeSaver project were primarily for professional services, namely providing software development services for entirely new software, and not for the Matidor software. They also allege the infringing software was not what allowed them to secure a role in the LifeSaver project. With respect to the other subscription revenues, the defendants claim Matidor’s costs were greater than their revenues, so they have effectively earned no profit from licensing the Matidor software to date.

[116] As noted above, the defendants argued that the plaintiffs had not proven infringement with respect to versions of the Matidor software after the June 2020 Version. However, the defendants do not rely on such later versions as affecting any assessment of damages. In light of this position and my findings regarding infringement, the damages assessment is based on the defendants using versions of the Matidor software that infringe copyright in the Arkit software through September 15, 2021.

*The LifeSaver project*

[117] The LifeSaver project was a project directed to developing COVID-19 transmission modeling software, arranged through an organization known as the Digital Technology Supercluster. Matidor submitted an expression of interest and was put in touch with a company named Unity Technologies. Unity submitted a phase-two project proposal as project lead, identifying a number of other project partners, including Matidor. The proposal said that Matidor would provide a multi-disciplined web development team and that one of its anticipated activities would be to “[e]xtend the Matidor web platform to enable a real-time, interactive map that visualizes data from pipeline APIs.” Under the heading “Expertise,” Matidor was described with reference to its “flagship product, Matidor.” The proposal also identified funding for the project coming from Matidor in the form of a license to the Matidor platform being provided at no cost. At the time of these statements, the Matidor web platform described in the project proposal was the Matidor software that infringed copyright in the Arkit software.

[118] Matidor’s participation in the project was approved, and Matidor received significant revenues from the LifeSaver project. The parties agree the revenues from the LifeSaver project can be estimated at \$██████, representing about ███% of Matidor’s total revenues from July 2020 to March 2021.

[119] The plaintiffs allege the revenues derived from the LifeSaver project represent revenues attributable to Matidor’s use of its infringing software. The defendants say the project actually involved the development of new software and not an extension of the Matidor web platform as

anticipated in the proposal. They argue their revenues were largely for professional services for software development and not associated with the infringing Matidor software. While the defendants gave a demonstration of the Matidor software to Unity in September 2020, they say that what was shown was only the rewritten front end of the software. They also point to statements in the project documents referring to their capabilities in providing software development services and claim Matidor was retained by Unity for its ability to provide those services and not because of the Matidor software.

[120] I find the plaintiffs have established on a balance of probabilities that the infringing Matidor software was a material element of Matidor's ability to become a technology partner of Unity, and of Unity's accepted project proposal. The project documents do refer to Matidor's software development expertise, but it is clear from the statements above and from the Matidor software license being used as funding for the project that the existence of the infringing Matidor software was important to obtaining the contracts that led to Matidor's revenues. Mr. Lam confirmed on cross-examination that Matidor issued invoices to LifeSaver for the license amount, with a corresponding discount reflecting the intention to provide the platform license at no cost.

[121] At the same time, I find the defendants have shown on a balance of probabilities that the actual work done on the LifeSaver project and the associated revenues were largely related to the development of new software and not to licensing, use, or expansion of the Matidor software. The situation is thus that Matidor was able to secure the LifeSaver project, at least in part, through reliance on the infringing software, but the infringing software played little or no role in

the professional services work that Matidor was subsequently paid for. In my view, this raises an issue of attribution or apportionment, albeit in a somewhat different context than usual.

[122] Subsection 35(1) of the *Copyright Act* refers to the recovery of “such part of the profits that the infringer has made from the infringement.” This requirement for a causal link between the infringement and profit may require that the profit be apportioned between that which is attributable to the infringement and that which is not: *Cinar* at para 77. Based on the evidence related to the LifeSaver project, I conclude that a reasonable estimate of the degree of causation between the infringing Matidor software and Matidor’s profits from the project is 20%. That is to say, one-fifth of Matidor’s profits from the LifeSaver project were received due to its use and possession of the infringing Matidor software when it was approved for the project and in its implementation.

[123] Turning then to the amount of profits arising from the LifeSaver project, I have set out the agreed revenue figure above. The defendants are required to prove every element of cost the defendants claim: *Copyright Act*, s 35(2)(b).

[124] In the relevant period, Mr. Lam at paragraph 76 of his affidavit says that Matidor’s total expenses were about \$ [REDACTED], which the defendants say should be deducted from the revenue number. This figure corresponds with those in a profit and loss statement for the same period attached to Mr. Lam’s affidavit as Exhibit AC.

[125] The expenses identified by Mr. Lam fall into four categories: Sales & Marketing, Research & Development [R&D], Operations, and Payroll Expenses. Of these, the largest expense is R&D (about \$ [REDACTED]). For the following reasons, I conclude the R&D expenses are not proven elements of cost, but that the remainder of the expenses may be considered costs reducing the amount of profit earned from the LifeSaver project.

[126] As is clear from paragraph 87 of Mr. Lam's affidavit and Exhibit AE, Matidor continued to rewrite the Matidor software until at least December 2020 and likely beyond. Mr. Lam's examination for discovery and a more detailed profit and loss statement produced by Matidor as document F.3 (part of Exhibit I to Ms. Li's affidavit) show that Matidor recorded its expenses pertaining to the rewrite of the Arkit/Matidor software as R&D expenses. Matidor's costs of rewriting the software in an effort to render it non-infringing cannot reasonably be recognized as costs that reduce its revenues from infringing the Arkit software. In other words, the defendants cannot claim they made less profit from infringing the Arkit software because they spent part of the money to write their own software. To accept that the plaintiffs' recovery from the infringement should be reduced on this basis would be to effectively ask the plaintiffs to pay for the defendants' software development.

[127] There is no other evidence of what is included in the R&D expenses. Without further evidence, I conclude the defendants have not shown that the R&D expenses are expenses deductible from Matidor's revenues derived from the infringement.



[128] I am satisfied based on the evidence that the other expenses incurred during this period (approximately \$██████) are attributable to Matidor's revenues, including its revenues from the LifeSaver project. The Payroll expenses appear to include the software developers' compensation for their work providing professional services on the LifeSaver project. The Sales & Marketing and Operations expenses are in the nature of broader overhead costs relating to the work of Matidor in this period, most of which was the LifeSaver project. The Federal Court of Appeal has recently recognized, in the patent infringement context, that apportioned overhead expenses may be appropriately considered in assessing an infringer's profits, questioning earlier case law that rejected deducting any costs that would have been incurred even if the defendant had not infringed: *NOVA Chemicals* at paras 155–164, questioning *Teledyne Industries, Inc et al v Lido Industrial Products Ltd*, [1982] FCJ No 1024, 68 CPR (2d) 204 at pp 210, 213.

[129] Attributing ███% of these remaining expenses to the LifeSaver revenues yields a profit to Matidor from the LifeSaver project of approximately \$██████. Applying the 20% causation apportionment results in \$116,400 of Matidor's profits from the LifeSaver project being attributable to copyright infringement. These profits were not "taken into account in calculating the damages" and I consider it just that they be disgorged to the plaintiffs: *Copyright Act*, s 35(1).

#### *License revenues*

[130] The defendants claim Matidor profited from licensing the infringing software. Matidor's financial statements show subscription licenses as a source of revenue. No product other than the infringing Matidor software was identified by the defendants as a source of licensing revenue.

[131] Paragraph 59 of Mr. Lam's affidavit provides a table of revenues and expenses for the period from 2019 to date. It states that Matidor's net revenues from licensing for the period—reflecting subscription licenses less discounts given—total \$ [REDACTED]. This figure corresponds with information in a profit and loss statement produced as Exhibit T to Mr. Lam's affidavit covering the period from July 15, 2019 to August 13, 2021. None of this amount appears to be attributable to licenses given under the LifeSaver project, as Mr. Lam stated that the license revenue and corresponding discount under that project fully offset yielding zero revenue.

[132] At paragraph 63 of his affidavit, Mr. Lam also provided a different table said to show revenues to date from each of four subscription customers. This table shows total revenue from these customers of \$ [REDACTED]. Mr. Lam does not explain where the figures in this table come from, or why the total is lower than the subscription revenues in his paragraph 59. He does refer to Exhibit Y, a profit and loss statement covering December 2019 to March 2021. However, other than the revenue from one customer, which appears to correspond to the subscription license revenue earned by Matidor in December 2019, the figures in the table at paragraph 63 are not explained by Exhibit Y. Counsel at the summary trial was unable to assist in explaining the difference between the larger subscription revenue figures in paragraph 59 and Exhibits T and Y and those in paragraph 63.

[133] Given that the figure in paragraph 59 accords with the data in Exhibit T, which also corresponds (adjusting for time period differences) with that in Exhibits Y and AC, I accept the plaintiffs' contention that Matidor's revenue from licensing, net of discounts, is \$ [REDACTED] for the

period through August 13, 2021. As I have concluded that the Matidor software infringed throughout this period, all of these revenues are attributable to the infringement.

[134] The defendants claim that the costs associated with licensing are greater than their revenues. These costs appear to include the R&D costs that I have concluded cannot be claimed to offset profits from the infringement. However, even before considering any costs, it is clear that Matidor's [REDACTED] is lower than the \$111,000 in damages I have found the plaintiffs have incurred from the licenses. I conclude that any profits to the defendants of such licenses have been "taken into account in calculating the damages": *Copyright Act*, s 35(1). In other words, in paying the damages incurred by the plaintiffs, the defendants will have disgorged all of the profits that they earned from licensing the Matidor software. I therefore do not consider that such profits should be added to the plaintiffs' recovery.

*Springboard or unjust enrichment damages*

[135] The plaintiffs also argue that by taking and using the Arkit software, the defendants were unjustly enriched by the value of the software, which they claim was worth about \$1,700,000 when Mr. Lam left the company in 2017. They cite *Airbus Helicopters*, a patent case in which the defendant was found liable for using an infringing landing gear in developing its helicopter, even though it only sold helicopters with a non-infringing landing gear: *Airbus Helicopters, SAS v Bell Helicopter Textron Canada Limitée*, 2017 FC 170 at paras 371–379, *aff'd* 2019 FCA 29.

[136] In *Airbus Helicopters*, Justice Martineau assessed a "reasonable royalty" as a measure of the plaintiff's damages, considering what royalty the parties would agree to in a hypothetical

negotiation: *Airbus Helicopters* at paras 112–113. While this is not the approach proposed by either party before me, a number of Justice Martineau’s observations in reaching his conclusion on damages are relevant. A central consideration in Justice Martineau’s conclusion regarding the reasonable royalty was the recognition that the defendant obtained a financial benefit from their infringement through reduced research and development costs and its ability to design and commercialize its own helicopter, even though they gained no direct profit from the infringing article since it was never sold: *Airbus Helicopters* at paras 308–309, 373–376. While Justice Martineau recognized that it was “impossible for this Court to pinpoint the exact amount of time saved by the defendant in research and development from the infringing use” of the patented item, he assessed to the best of his ability on the evidence the advantage to the defendant of having the infringing item: *Airbus Helicopters* at paras 323–325, 376–379.

[137] The plaintiff in *Airbus Helicopters* referred to this benefit as the defendant being “unjustly enriched” or as obtaining a “springboard” for its development of its helicopter: *Airbus Helicopters* at para 309. Justice Martineau recognized the defendant had been “unjustly enriched” from using the infringing landing gear: *Airbus Helicopters* at para 373. In the present case, the plaintiffs similarly used the “springboard” and “unjust enrichment” terms to describe the benefit to the defendants of using the infringing software.

[138] Contrary to the defendants’ submission, I do not conclude that the plaintiffs’ reference to “springboard” damages reflects a concession that the defendants have ceased infringing. The term “springboard” can be used to describe profits earned after expiry of an intellectual property right, if the profits were caused by the defendants’ infringement prior to expiry: *NOVA*

*Chemicals* at paras 122–142. However, it is also used to describe equitable compensation for the plaintiffs’ hypothetical lost period of exclusivity flowing from use of confidential information: *Cadbury Schweppes Inc v FBI Foods Ltd*, [1999] 1 SCR 142 at paras 67–77. Notably, Justice Binnie in *Cadbury Schweppes* referred to notions of unjust enrichment in discussing the springboard doctrine: *Cadbury Schweppes* at para 76.

[139] The defendants also argue that a claim for unjust enrichment requires proof of a benefit to the defendants, a corresponding deprivation to the plaintiffs, and the absence of a juristic reason for the enrichment, which they claim the plaintiffs have not shown: *Garland v Consumers’ Gas Co*, 2004 SCC 25 at para 30; *Kerr v Baranow*, 2011 SCC 10 at para 32. However, the plaintiffs do not seek damages for unjust enrichment as an independent cause of action, such as that recognized in *Garland* and *Kerr v Baranow*. Rather, they put forward the allegations of enrichment in support of their general claim for damages at large as a remedy for copyright infringement and passing off.

[140] The Supreme Court of Canada has recognized that the disgorgement of profits pursuant to section 35 of the *Copyright Act* is designed mainly to prevent “unjust enrichment” of a defendant, without reference to that notion as a separate cause of action: *Cinar* at para 86. This is also one of the goals of statutory damages: *Rallysport Direct LLC v 2424508 Ontario Ltd*, 2020 FC 794 at para 6 citing *Telewizja Polsat SA v Radiopol Inc*, 2006 FC 584 at para 40. In my view, regardless of the terminology used, the Court may consider a benefit unjustly received by a defendant from their infringement of an intellectual property right as part of the assessment of damages and/or profits arising from that infringement. As the cause of action for infringement is established, the consideration of such enrichment in the assessment of damages need not meet

the elements of the cause of action for unjust enrichment. This appears to have been the approach taken by Justice Martineau in *Airbus Helicopters* in recognizing the unjust enrichment as an element of assessing a reasonable royalty.

[141] Turning to the alleged enrichment itself, the \$1,700,000 figure cited by the plaintiffs reflects amounts paid by Ark Platforms from 2011 to 2017 for software development and marketing. While this figure may reflect investment by Ark Platforms in this period, there is no evidence it is indicative of the value of the software and marketing materials in 2017. A company may invest much more in developing a product than it is ultimately worth, or may invest much less. Without relevant evidence of the value of the software and marketing materials in 2017, the Court cannot simply conclude that its value was equal to the amount invested.

[142] The defendants point to the \$100,000 price paid by Ark Innovation for the assets of Ark Platforms in the 2019 asset sale as showing a much lower value than the plaintiffs allege. In response, the plaintiffs submit that the sale also included assumption of a \$260,000 debt, such that the purchase price was actually \$360,000. They also note the financial status of Ark Platforms in 2019 and the “distress sale” nature of the transaction, which would have a tendency to reduce the purchase price compared to fair market value.

[143] There is no small irony in the positions of the parties in respect of the asset sale purchase price given their respective positions in the BC oppression remedy litigation. The defendants in this Court pointed to the low purchase price, although they claim in the oppression remedy litigation that the price was “millions of dollars less than the fair market value of the assets.”

Conversely, the plaintiffs in this Court point to the distress sale to explain why the \$360,000 sale price is lower than the \$1,700,000 value they rely on, while at the same time alleging in the BC litigation that the asset sale “was for fair market value.” Neither party put forward any evidence in this Court of the fair market value of the Arkit software. I find that in the circumstances of the contested asset sale and the parties’ contradictory positions, I can place no reliance on the asset sale purchase price to assess the value of the Arkit software. In any event, the benefit to the defendants of infringing the Arkit software cannot be presumed to be the entire value of the software.

[144] That said, I agree with the plaintiffs that there was value to the defendants in using infringing copies of the Arkit software to develop the Matidor software. Mr. Lam is an experienced software developer and had a team of developers working with him. That they chose to use infringing copies of the Arkit software as a starting point rather than developing their own software from scratch shows they recognized a value in doing so. Indeed, even after their infringement had been pointed out in the plaintiffs’ demand letter, the defendants continued to develop the Matidor software by branching from the infringing December 2019 Version.

[145] There was also plainly some value to the defendants in using the infringing marketing materials. Simply taking Arkit’s materials and replacing “Arkit” with “Matidor” spared the defendants the cost of developing those materials and the cost of conducting their own case studies to the extent they could do so. It also allowed them to go before clients at an early stage with a full package of marketing materials. The defendants’ recognition of the value in doing so

is seen from the fact that they sent copies of the case studies and product sheet, and links to the promotional video, to numerous prospective clients in late 2019.

[146] Thus, while I reject the plaintiffs' contention that the Arkit software was worth \$1,700,000 or that the defendants obtained that value or anywhere near that value through their conduct, I accept that the defendants obtained a benefit through their infringement that ought to be disgorged. As Justice Martineau noted in *Airbus Helicopters*, it is difficult to quantify with precision the benefit obtained, so it must be the subject of a "rough and ready" determination. Based on the information before me, including the costs incurred by Matidor in rewriting the software and the evidence regarding Matidor's entry into the market in 2019, I assess this value to Matidor as being \$50,000.

[147] Before concluding on the issue of profits, I will address the defendants' contention that Matidor has not made a profit since its inception. This statement is based on Matidor's cumulative profit and loss statements, which show overall expenses through August 13, 2021 as being slightly higher than total income. To my view, this overall profits assessment does not help the defendants, for two reasons. First, the assessment of profits to be disgorged is an assessment of profits attributable to the infringement, and not profits of the business as a whole, which may include various revenues and expenses not related to the infringement. Second, as noted above, Matidor's reported expenses include significant expenses for the development of its own software. As I have noted, declining to require Matidor to disgorge its profits arising from infringement because it spent some of those profits to develop its own software would be unjust and contrary to the very purpose of the exercise of assessing profits.



(c) *Conclusion on damages*

[148] For the foregoing reasons, I conclude that the plaintiffs should have their damages in the amount of \$111,000, plus the sum of \$166,400 representing the defendants' profits that were not taken into account in calculating damages. I award the plaintiffs total damages of \$277,400.

(2) *Punitive damages*

[149] The plaintiffs seek punitive damages of \$75,000. They argue the defendants' infringement was flagrant and deliberate, and was undertaken by a former Ark Platforms executive because he was "pissed off" that his efforts at the company were gone and in the belief the company was "sun-setting" and therefore would not assert its rights. They point to the defendants' deliberate false statements to potential clients, including those relating to Matidor's history and customer base, and those suggesting that Matidor was just a rebrand of Arkit. They argue this conduct deserves denunciation. They point to the recent award of \$50,000 in punitive damages by this Court in *Trimble Solutions*, and argue the current competitive and commercial context suggests an even higher award: *Trimble Solutions* at para 79.

[150] The defendants argue this is not a case for punitive damages. They argue Mr. Lam was a "careless co-founder," that he at first believed he could use the software, and that after receiving the plaintiffs' demand letter, he worked to rewrite the software so it would no longer infringe. The defendants note that the situation in *Trimble Solutions* was very different, and suggest that the case is more akin to that in *Slumber-Magic*, where the Court found exemplary damages were

not justified because the defendant believed he was entitled to do what he did and was “credulous rather than calculatingly fraudulent.”

[151] Punitive damages are reserved for exceptional cases in which “malicious, oppressive and high-handed” misconduct represents a “marked departure from ordinary standards of decent behaviour” and offends the court’s sense of decency: *Whiten v Pilot Insurance Co*, 2002 SCC 18 at paras 36, 94. They should not be awarded if compensatory damages are sufficient to accomplish the objectives of retribution, deterrence, and denunciation: *Whiten* at para 94; *Trimble Solutions* at para 77; *Cinar* at paras 136, 141.

[152] Copyright infringement in itself does not alone merit punitive damages. Nor, in my view, is the fact that Mr. Lam was “pissed off” when he undertook the infringement a particularly aggravating factor. I accept the plaintiffs’ contention that given Mr. Lam’s admission that he understood Ark Platforms owned copyright in the Arkit software, and his role as an experienced software engineer, Mr. Lam’s infringement can be taken to be knowing and deliberate. I also have significant concern with Mr. Lam’s conduct in presenting the infringing copies of Arkit as Matidor’s own product, continuing to infringe after receiving the plaintiffs’ demand letter and, graver still, asserting to potential customers that Matidor had rewritten the whole program and was not using any of the Arkit software, when he knew that this was not the case. Mr. Lam was not simply a “careless co-founder” as the defendants contend.

[153] Despite these concerns, I conclude the defendants’ conduct as a whole does not meet the standard described in *Whiten*. The defendants did take steps in response to the plaintiffs’ demand

letter, albeit not by ceasing use of the infringing software. They took substantial efforts to rewrite the software to avoid infringement. They responded to and participated in this action, providing disclosure allowing an assessment of appropriate remedies. And they are facing significant financial damages that in my view will be sufficient to meet the objectives of retribution, deterrence and denunciation.

[154] I therefore decline to award punitive damages.

(3) Injunctive relief and delivery up

[155] The plaintiffs seek an order enjoining the defendants from further infringement of copyright in the Arkit Works. They also seek an order enjoining the defendants from:

- a. making further use of any infringing copies of the Arkit Works or of any software or materials derived directly or indirectly from substantial reproductions of the Arkit Works, or authorizing such acts;
- b. selling or renting out a copy of the Arkit Works or any substantial part thereof; or
- c. distributing a copy of the Arkit Works or any substantial part thereof to such an extent as to prejudicially affect Ark Innovation.

[156] The defendants do not object to an order enjoining them from further infringement. They also do not object to the “making further use” and “selling or renting out” orders, although they propose language that refers to infringing copyright, rather than substantial reproductions.

However, the defendants object to the reference in paragraph (a) above to “software or materials derived directly or indirectly from substantial reproductions of the Arkit Works.” For the

following reasons, I agree with the defendants that the Court's injunction should not include these words.

[157] The language proposed by the plaintiffs would preclude the defendants from using software that does not infringe copyright in the Arkit software, on the basis that it was prepared through the use of the Arkit software, and in particular through the use of unauthorized and infringing copies of the Arkit software or of software that itself infringed the Arkit software. Essentially, the plaintiffs seek to enjoin the use of any software that Matidor did not develop in a "clean room" scenario. On this approach, any such software may be viewed as a form of "ill-gotten gains" from which the defendants should not be permitted to obtain ongoing benefit.

[158] The *Copyright Act* sets out the exclusive rights of a copyright owner. The term "copyright" is defined in subsection 3(1) of the *Copyright Act* as including the "sole right to produce or reproduce the work or any substantial part thereof in any material form whatever," with examples of what is included in this right given in paragraphs 3(1)(a) to (j). The essence of what is protected by the *Copyright Act* is the production or reproduction of a work or a substantial part thereof. If a defendant's work represents a substantial reproduction of a copyright owner's work, it is infringement: *Cinar* at para 1. Conversely, if the work does not represent a substantial reproduction of a copyright owner's work, it is not an infringing copy.

[159] A "substantial part" is a flexible notion decided by assessing the quality rather than quantity of the part taken, in relation to the originality of the copyright work: *Cinar* at para 26. As is clear from Chief Justice McLachlin's discussion of the substantiality assessment in *Cinar*,

what is important is the nature of the impugned work and not the method or process by which the impugned work is created: *Cinar* at paras 33–47. Access to an original work, or even an infringing copy of an original work, does not alone render a defendant’s work infringing.

[160] In *Théberge*, the Supreme Court recognized that certain “derivative works” fall within the definition and examples of subsection 3(1) of the *Copyright Act*: *Théberge* at paras 70–73.

However, the Court rejected the extension of copyright protection to derivative works not falling within the scope of subsection 3(1): *Théberge* at para 73.

[161] The plaintiffs were unable to point to any jurisprudence in which the Court had enjoined an infringing party not only from future infringement, but from using non-infringing works that were derived from infringing works. They argue, however, that an injunction is an equitable remedy permitting the Court to craft a remedy that is just and appropriate in the circumstances.

[162] While injunctions are equitable remedies, the injunction in this case is a remedy being sought for infringement of copyright under the *Copyright Act*. What is just and appropriate must be considered in that context. While I need not rule out the possibility of such an order regardless of circumstances, the Court in my view should be hesitant to grant a remedy under the *Copyright Act* that enjoins the use of works that do not infringe copyright, based on the manner in which they were authored.

[163] The plaintiffs also argue Mr. Lam’s employment agreement prohibited him, on termination, from “licensing or otherwise exploiting, directly or indirectly, any products or

services that embody or are derived from Confidential Information.” The term “Confidential Information” in the agreement covers “computer software of any type or form.” Although the plaintiffs do not seek to enforce the employment agreement, they argue this term reinforces that it would be just and appropriate to grant an injunction preventing Mr. Lam from using software derived, directly or indirectly, from the Arkit software. I cannot agree that the term of the employment agreement supports the requested injunction. This Court does not have jurisdiction to enforce Mr. Lam’s employment agreement and the plaintiffs’ action does not seek to enforce that agreement. To use the terms of that agreement to support a *Copyright Act* remedy would be to circumvent the limits on this Court’s jurisdiction and grant an order enforcing the employment agreement by the back door.

[164] I also share the defendants’ concern that the plaintiffs’ proposed “derived from” language raises practical concerns about its scope and enforceability. Particularly in the absence of a body of jurisprudence addressing when one work is “derived from” another work while not infringing copyright in it, it would be difficult for a defendant to know what is and is not permitted by the injunction. This is of particular concern given the potential consequences of violating an injunction.

[165] It is also relevant that the plaintiffs have already been compensated through the damages award set out above for the benefit obtained by the defendants in using the infringing software to develop its own software. To additionally require, as the plaintiffs request, that the defendants discard all of the Matidor software written to date and restart from scratch, would in my view be unduly punitive.

[166] I therefore decline to include in the injunction order a requirement that the defendants refrain from using software that is derived from the Arkit software or from software infringing the Arkit software. With respect to the inclusion of “substantial reproductions,” I believe it more precise to simply refer to works that infringe copyright in the Arkit Works, as this captures the notion of reproduction of a substantial part.

[167] The same reasoning applies to the requested order for delivery up. The parties agree on the remaining aspects of the requested delivery up order.

[168] I make a final note with respect to the injunction and delivery up orders in light of my conclusion above that the defendants have infringed through the date of Mr. Lam’s evidence. As stated above, this conclusion was reached based on inference from the June 2020 Version and the fact that the defendants did not tender evidence regarding later versions of the software to show that they ceased to infringe at some point. I do not intend for this finding to render any assessment of whether the Matidor software at the date of judgment infringes copyright in the Arkit software *res judicata*. In other words, if the defendants contend they are now using a version of Matidor that does not infringe copyright, and can therefore continue to use that version despite the Court’s injunction and order for delivery up, that issue will have to be determined by the Court and has not been pre-determined by this decision.

V. Costs

[169] The parties requested the opportunity to address costs after judgment, indicating that there were offers to settle or other matters that would render it inappropriate to address costs at

the hearing of the summary trial. I encourage the parties to discuss and agree on costs if they are able to. If they cannot, they may make written submissions on costs on the following schedule:

- within 20 days of the date of judgment, the plaintiffs may file submissions in letter format, not to exceed 5 pages, to which they may attach a bill of costs as an appendix;
- within 10 days of receipt of the plaintiffs' submissions, the defendants may file submissions in letter format, not to exceed 5 pages, to which they may attach as an appendix a bill of costs and/or a submission, not to exceed 2 pages, addressing specific line items in the plaintiffs' bill of costs (if filed); and
- within 5 days of receipt of the defendants' submissions, the plaintiffs may file reply submissions in letter format not to exceed 2 pages, to which they may attach as an appendix a submission, not to exceed 2 pages, addressing specific line items in the defendants' bill of costs (if filed).

[170] A copy of any figures or tabulations in the parties' bills of costs should be submitted in native format, such as Word or Excel. If the parties require additional time, particularly to engage in or conclude settlement discussions on costs, they may address the Court by informal request.



**JUDGMENT IN T-129-20**

**THIS COURT ADJUDGES, DECLARES, AND ORDERS that**

1. Copyright subsists in the Arkit software, the Arkit promotional document entitled “Medicine Hat – The Gas City”, the Arkit promotional document entitled “Summit Liability Solutions – A Customer Story”, the Arkit product sheet entitled “The Best Way to Manage and Share Location-Based Work” and the Arkit video entitled “Say Hello to Arkit” (collectively the “Arkit Works”) and that as between the plaintiffs and the defendants, the Plaintiff Ark Innovation Technology Inc. is the owner of such copyright.
2. The defendants have infringed copyright in the Arkit Works contrary to section 27 of the *Copyright Act*, RSC 1985, c C-42.
3. The defendants are enjoined from further infringing copyright in the Arkit Works, including by way of:
  - a. making or authorizing further use of any infringing copy of the or any computer program or other work that infringes copyright in the Arkit Works Arkit Works; or
  - b. selling or renting out a copy of the Arkit Works or any computer program or other work that infringes copyright in the Arkit Works.
4. The defendants have directed public attention to their wares, services, and business in such a way as to cause or be likely to cause confusion in Canada at the time they commenced so to direct attention to them, between the wares, services, and business

of the plaintiffs and those of the defendants, contrary to paragraph 7(b) of the *Trademarks Act*, RSC 1985, c T-13.

5. The defendants, themselves or through their employees, officers, and agents, are enjoined from further directing public attention to their wares, services, and business in a manner likely to cause confusion between their wares, services or business and those of the plaintiffs.
6. The defendants shall pay to the plaintiffs the sum of \$277,400 on account of the plaintiffs' damages arising from the infringement of copyright and passing off and the defendants' profits made from the infringement of copyright.
7. The plaintiffs are entitled to pre-judgment and post-judgment interest on the foregoing amount at a simple interest rate of 2.5%.
8. The parties may make submissions on costs in accordance with the schedule given in the reasons.

“Nicholas McHaffie”

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Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-129-20

**STYLE OF CAUSE:** ARK INNOVATION TECHNOLOGY INC AND ARK  
PLATFORMS INC v MATIDOR TECHNOLOGIES INC  
AND WING CHUEN LAM AKA VINCENT LAM

**PLACE OF HEARING:** HELD BY VIDEOCONFERENCE

**DATE OF HEARING:** OCTOBER 18-20, 2021

**PUBLIC JUDGMENT AND  
REASONS:** MCHAFFIE J.

**DATED:** DECEMBER 1, 2021

**APPEARANCES:**

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