

CITATION: Kapahi Real Estate Inc. v. Elite Real Estate
Club of Toronto Inc., 2026 ONSC 1438
COURT FILE NO.: CV-24-00733595-00CL
DATE: 20260310

ONTARIO SUPERIOR COURT OF JUSTICE

RE: KAPAHI REAL ESTATE INC. *et al.*

Applicants

-and-

ELITE REAL ESTATE CLUB OF TORONTO INC., *et al.*

Respondents

BEFORE: FL Myers J

COUNSEL: *Bobby Sachdeva and Keleigh Sonshine*, for the Applicants

Khalid Parvaiz, for the Respondents

READ: March 9, 2026

ENDORSEMENT

[1] This decision may involve the next generation of AI hallucinations. In this case, counsel delivered a factum that cited real cases with correct neutral citations to CanLII. But then counsel added quotations from the cases. The quotations do not exist in the cases. The quotations are fake.

[2] There are added wrinkles discussed below. Counsel denies having used AI to create his factum. He has also been through a process in which the opposite party in the litigation sought costs against him personally.

The Initial Proceeding

- [3] In a decision dated January 7, 2026, reported at 2026 ONSC 132, I dismissed the Respondents' motion to vary the decision of Steele J. dated April 15, 2025.
- [4] Steele J. enforced a decision of an arbitral tribunal holding the Respondents liable in costs. Steele J. also awarded costs of the application before her against the Respondents.
- [5] The Respondents moved under Rule 59.06 to vary the order of Steele J. on the basis that Her Honour made a slip under which her order did not reflect the intention expressed in her endorsement. The Respondents also alleged that new facts had emerged that undermined Justice Steele's decision.
- [6] The motion was wholly unsuccessful.
- [7] In discussing costs of the motion to vary, I noted that Mr. Parvaiz for the Respondents had alleged that counsel for the Applicants had engaged in sharp practice in the proceeding. I held:

[72] The Applicants engaged the civil justice apparatus appropriately throughout. The Respondents, by contrast, have delayed resolution of the merits by repeatedly bringing proceedings only to then abandon them before hearing. Moreover, this motion had no basis in fact or law.

[73] There is no basis to find any abusive conduct by the Applicants. There was certainly no "sharp practice" by the Applicants' counsel. There was no basis in evidence for Mr. Parvaiz to make such a scurrilous allegation against his colleagues opposite.

- [8] The Applicants delivered written costs submissions seeking enhanced costs based on the Respondents' alleged misconduct in the proceeding. Among other concerns, they noted that were apparent AI hallucinations in the Reply Factum delivered on the motion to vary by Mr. Parvaiz on behalf of the Respondents.
- [9] The Applicants also advised that they would be moving to seek costs against Mr. Parvaiz personally under Rule 57.07 of the *Rules of Civil Procedure*, RRO 1990 Reg 194..

The Motion for Costs against Mr. Parvaiz Personally

- [10] Mr. Gavin Tighe was retained to represent Mr. Parvaiz. He wrote to the court on January 27, 2026 seeking to defer the date for the Respondents to deliver their costs submissions until a case conference could be held to discuss the scheduling of the motion to seek costs against Mr. Parvaiz personally.
- [11] On January 28, 2026, the court sent an email to all counsel as follows:

Justice Myers waives the deadline for the Respondent's Costs Submissions pending discussion of a new timetable at a case conference. Justice Myers also advises that he has confirmed that the Reply Factum delivered by Mr. Parvaiz on the motion contained quotations that did not originate from the cases to which they were attributed by Mr. Parvaiz. Justice Myers inquires whether counsel utilized generative AI to draft the factum. His Honour also inquires as to why Mr. Parvaiz did not provide the certification required by Rule 4.06.1(2.1) in his Reply Factum. [Emphasis added.]

- [12] Case conferences were then held during which scheduling issues were resolved.
- [13] During the first case conference, Mr. Tighe advised that Mr. Parvaiz would be responding to my two questions about his Reply Factum in his responding material on the motion for costs against him personally.
- [14] By letter dated February 26, 2026 Mr. Tighe advised that the parties had settled the issue of costs of the motion to vary. The parties agreed that the Respondents would pay the Applicants their costs on a substantial indemnity basis fixed at \$32,747.40. He also advised that, because of the settlement, the Applicants abandoned their motion for costs against Mr. Parvaiz.

[15] Mr. Tighe's letter concluded:

Given the final resolution of the costs issue, Mr. Parvaiz and the Respondents will also not be filing any responding costs submissions, but Mr. Parvaiz will nevertheless, with your Honour's permission, be responding to your Honour's two questions posed to him by way of separate correspondence to the Court.

[16] I signed a consent order implementing the settlement as asked.

[17] I note that Mr Tighe did not disclose to the court whether Mr. Parvaiz or his insurer had agreed to pay all or any portion of the costs ordered against his clients the Respondents. I say this without criticism as there was no obligation to disclose that fact and I can well understand why counsel or LawPro might not want a contribution to a settlement on behalf of a lawyer personally to be known publicly.

[18] I just make the point because I cannot tell if Mr. Parvaiz may already have made some contribution to costs that could be attributable to the misquoted citations in his Reply Factum.

Mr. Parvaiz Responds to the Hallucinations

[19] By letter dated February 26, 2026, Mr. Parvaiz wrote to the court as follows:

I write this as counsel for the Respondents and in response to the questions posed by the Honourable Justice Myers in regards to the contents of the reply factum filed by me on behalf of the moving parties, the Respondents, dated November 24, 2025.

I acknowledge that on review my recitation of the legal principles and substance of the cases referenced was not accurate. In particular the statements and submissions found at paragraphs 36,41,43,44, and 58 of my reply factum were not an accurate representation of the authorities cited. I also acknowledge that I did not include the necessary Certification in regards to the substance

of the reply factum required by Rule 4.06.1(2.1) These were both clear errors on my part and the result of a lack of due care. These were, however, human errors and while I take full responsibility for them, I wish to advise the Court that I did not use or rely on artificial intelligence or other such tools in preparing the reply factum. The errors arose from my misreading of the cases cited and my failure to comply with the practice direction and Rules of Civil Procedure. These errors were not intentional but the result of carelessness and inadvertence on my part.

I take full responsibility for these errors. I have reflected on them and learned from them. I appreciate the necessity of the Court having the right to rely on counsel in this regard. I sincerely and deeply regret these errors. While not proffered as an excuse I am a sole practitioner and was only called to the Ontario bar in 2022. [Emphasis added.]

- [20] Mr. Parvaiz notes five paragraphs of the Reply Factum in which his recitation of the legal principles were “not accurate.” In fact, there were seven paragraphs of the Reply Factum containing inaccurate quotations.
- [21] The seven paragraphs drawn from Mr. Parvaiz’s Reply Factum are reproduced below. In all but one case the quotation is indented on the page. All are set out between quotation marks. The quotations are not part of the argumentation drafted by counsel. Rather, they are presented as direct quotations from the specified authorities.
- [22] I have omitted below the footnotes contained in the cited paragraphs of the Reply Factum. In each case, the footnote contains a correct neutral citation to a real case. But there are no paragraph numbers included at the end of the neutral citations. Usually, when a quotation is taken from a case, the citation includes a paragraph number to directly pinpoint the reader to the quotation.

[23] The alleged quotations set out in the Reply Factum are not efforts to quote an actual part of the case that contain a transposition error or two. Rather, they are completely made up. Nothing like them appears in the precedents from which they are said to be quoted.

The Seven Fake Quotations

[24] In writing about the Supreme Court of Canada's leading decision in *Sattva Capital Corp. v. Creston Moly Corp.*, 2014 SCC 53 (CanLII), para.36 of Mr. Parvaiz's Reply Factum says:

36. Justice Rothstein, writing for the majority, stated:

"Arbitration is a creature of contract. The parties have agreed to have their dispute resolved by arbitration rather than by the courts. It is in the parties' interests, and in the interests of justice, that the task of the arbitrator be accorded appropriate finality and respect. The proper role of the court in reviewing an arbitrator's decision is therefore a narrow and deferential one ... The arbitrator is not required to address issues that are not before them or to go beyond the scope of what the parties have asked them to decide."

[25] Nothing like this quotation appears in the case. It is wholly made up.

[26] Para 41 of Mr. Parvaiz's Reply Factum says:

In *FNF Enterprises Inc. v. Wag and Train Inc.* the Ontario Court of Appeal reaffirmed the high threshold for personal liability. The court held:

"Personal liability for directors and officers for corporate conduct arises only in narrow, clearly defined circumstances: where the corporation was used as a mere façade, where there is evidence of fraud or sham

incorporation, or where the director expressly directed tortious or wrongful conduct. Simply naming an individual as a respondent or establishing that the individual participated in corporate affairs does not suffice to impose personal liability." [Note omitted.]

[27] Nothing like this quotation appears in the case. It is wholly made up.

[28] Para. 43 of Mr. Parvaiz's Reply Factum says:

In Pita Royale Inc. (also known as Aroma Taste of the Middle East) v. Buckingham Properties Inc. the Ontario Court of Appeal stated:

"The corporate veil will be pierced only in exceptional circumstances. These circumstances include situations where: (1) the corporation is used as a mask for fraud or wrongdoing; (2) the corporate form is merely a facade concealing the true nature of dealings; or (3) there is evidence of such complete dominion and control that the corporation is but the instrumentality or agent of the person attempting to pierce the veil ... Fairness requires that personal liability not be imposed lightly, and that the individual against whom such liability is asserted receive clear notice and an opportunity to respond." [Note omitted.]

[29] Nothing like this quotation appears in the case. It is wholly made up.

[30] Para. 44 of Mr. Parvaiz's Reply Factum says:

In BH Frontier Solutions Inc. v. 11054660 Canada Inc. (Canadian Choice Supply) the most recent appellate guidance, the Ontario Court of Appeal reaffirmed and reinforced these principles:

"The threshold for piercing the corporate veil remains high. Courts should be cautious about

disregarding the corporate form absent clear evidence of abuse, fraud, or sham. The court must carefully distinguish between corporate conduct (attributable to the corporation) and personal conduct (attributable to individual directors or officers)." [Note omitted.]

[31] Nothing like this quotation appears in the case. It is wholly made up.

[32] Para. 52 of Mr. Parvaiz's Reply Factum says:

In Trustees of the Millwright Regional Council of Ontario Pension Trust Fund v. Celestica Inc. Justice Mosley stated:

"Rule 59.06(1) applies where an order 'obviously and indubitably' does not reflect what the court intended. The burden is on the moving party to establish both that an error exists and that the court's intention differed from what was expressed. However, the rule is not limited to typographical errors; it applies to omissions of substance where the court failed to address a matter that should have been addressed." [Note omitted.]

[33] The decision quoted was written by Perell J. and not Moseley J. Moreover, the first sentence is similar to the first sentence of para. 33 of the decision. Nothing like the rest of the quotation appears in the case. It is wholly made up.

[34] Para. 58 of Mr. Parvaiz's Reply Factum says:

In Pita Royale Inc., the court stated:

"Fairness requires that personal liability not be imposed lightly. An individual against whom personal liability is asserted must receive clear notice of the basis for such liability and a fair opportunity to respond." [Note omitted.]

[35] Nothing like this quotation appears in the case. It is wholly made up.

[36] Para. 79 of Mr. Parvaiz's Reply Factum says:

In Trustees of the *Millwright Regional Council of Ontario Pension Trust Fund v. Celestica Inc.*, Justice Mosley stated that Rule 59.06(1) applies not only to typographical errors but to "omissions of substance where the court failed to address a matter that should have been addressed."

[37] In this case, the quotation is not indented in the text. But it is presented inside quotation marks. The author of the case was Perell J. and not Moseley J. Nothing like this quotation appears in the case. It is wholly made up.

Analysis

[38] The most obvious explanation for these fake quotations is that counsel used AI to draft the factum. But I am not making that finding, as I have not had the benefit of full submissions on this issue. But, hypothetically, counsel might have checked each case cited to ensure that it was a real case but failed to read the cases to look for the quotations that AI hallucinated. That would at least make some sense of the issue.

[39] But Mr. Parvaiz says that he "did not use or rely artificial intelligence or other such tools in preparing the reply factum." Rather, he attributes the false quotations to "a lack of due care" and "human errors" for which he takes full responsibility. He says the errors arose from his "misreading the cases cited", "carelessness" and "inadvertence." He says he sincerely and deeply regrets his errors and notes that he is a sole practitioner who is relatively new to the bar.

[40] Try as I might, I do not understand Mr. Parvaiz's response. If he did not use AI, how did he come to make up seven paragraphs and call them quotations from real cases? If I accept that Mr. Parvaiz did not use AI for research or drafting, I am at a loss for how these quotations could be a result of human error, a lack of due care, misreading the cases cited, carelessness, or inadvertence as stated by Mr. Parvaiz.

- [41] I do not understand how one can make up a quotation that supports the argument in a factum by misreading a case or being careless. The only way I can understand Mr. Parvaiz having made up seven distinct quotations is if he believes that counsel is allowed to make up law in his factum. Perhaps doing it once could be some kind of slip or error that mistakenly found its way into the factum. But not seven times.
- [42] Mr. Parvaiz says that he was only called to the bar in 2022. I do not believe that anyone can get through bar admission and ethics courses believing that counsel are allowed to make up principles and attribute them to real cases.
- [43] But that leaves me in a quandary. Either Mr. Parvaiz used AI and has been untruthful about it, or he made up seven fake paragraphs and chose to present them as actual quotations from precedent cases.
- [44] As is often the case, if Mr. Parvaiz has not been truthful, the cover-up may be worse than the initial error.
- [45] I have previously required counsel to show cause why they should not be held in contempt of court for relying on fake cases in a factum and in open court. *Ko v. Li*, 2025 ONSC 2766 (CanLII).
- [46] But in a show cause proceeding, I have no ability to investigate to try to determine what happened from objective sources like computer metadata and online histories. As judge, I am not able to cross-examine or challenge credibility like a prosecutor.
- [47] In *Ko v Li*, 2025 ONSC 6785 (CanLII), I ultimately referred prosecution of a contempt of court proceeding to the Attorney General. But that came after counsel admitted in writing that she had been untruthful in a prior hearing. With the unclear facts here, I do not think it is necessary or appropriate to take that step at this time.
- [48] I am also concerned because there has already been a proceeding under Rule 57.07 in which Mr. Parvaiz was exposed to some jeopardy in costs for misconduct that included the fake quotations in his Reply Factum. While that does not preclude contempt of court, other quasi-criminal or criminal processes, or

administrative proceedings, it does lead me to temper the court's ongoing involvement.

- [49] There are other bodies, like the Toronto Police Service and the Law Society of Ontario that are equipped to investigate wrongdoing if they exercise the discretion to do so.
- [50] In my view, on these facts, the best outcome to determine if there has been either use of AI hallucinations or deliberate falsification of law is for those with the authority to investigate to be left to do so. It will be up to the authorities to decide if charges of one type or another should be brought.
- [51] I will be referring this decision to the Law Society of Ontario for its consideration.

FL Myers J

Date: March 10, 2026