

Federal Court



Cour fédérale

**Date: 20200319**

**Docket: T-342-19**

**Citation: 2020 FC 378**

**Ottawa, Ontario, March 19, 2020**

**PRESENT: The Honourable Madam Justice Kane**

**BETWEEN:**

**VISIONWERX INVESTMENT  
PROPERTIES, INC.**

**Plaintiff/Moving Party**

**and**

**STRONG INDUSTRIES, INC.  
COSTCO WHOLESALE CANADA LTD.**

**Defendants/Responding Party**

**AND BETWEEN:**

**STRONG INDUSTRIES, INC.**

**Plaintiff By Counterclaim**

**and**

**VISIONWERX INVESTMENT  
PROPERTIES, INC.**

**Defendant By Counterclaim**

**ORDER AND REASONS**

[1] This is a motion for an interlocutory injunction by the Plaintiff, VisionWerx Investment Properties Inc. [the Plaintiff/VisionWerx] in an action for infringement of a distinguishing guise pursuant to section 7(b) of the *Trademarks Act*, RSC 1985, c T-13. VisionWerx seeks to prevent the Defendants, Strong Industries Inc. [Strong Industries], from manufacturing, marketing and selling, and Costco Wholesale Canada Ltd [Costco Canada] [together, the Defendants] from marketing and selling the Solstice model two-person hot tub which VisionWerx claims resembles its Spaberry 5.0 two-person hot tub.

[2] More particularly, VisionWerx seeks an interlocutory injunction restraining the Defendants (and their officers, licensees, successors and others) from marketing, selling, manufacturing, advertising or offering for sale the Solstice or any product with a design which is confusingly similar to the Spaberry distinguishing guise. VisionWerx also seeks an interlocutory injunction to: restrain the Defendants (and their officers, licensees, successors and others) from , among other things, using, offering for sale, selling and manufacturing in merchandise bearing the Spaberry distinguishing guise; directing public attention with the wares, service and business in such a way as to cause confusion with the wares, service and business of VisionWerx by use of the Spaberry distinguishing guise; and, passing off its wares and services as the wares and services of VisionWerx by use of the Spaberry distinguishing guise.

[3] For the reasons elaborated on below, the motion is dismissed. The Plaintiff has not established the three-part test for an injunction established in *RJR-MacDonald Inc. v Canada*

(*Attorney General*), [1994] 1 SCR 311, 46 ACWS (3d) 40 [*RJR*]. Contrary to the Defendants' submissions, the Plaintiff need only establish a serious issue that is neither frivolous nor vexatious. The Plaintiff has established one or more serious issues, including whether its distinguishing guise can be protected under the *Trademarks Act* and whether there is confusion with the Defendants' product. However, the Plaintiff has not established with clear and convincing evidence that it will suffer irreparable harm between now and the determination of the Plaintiff's action that could not be quantified and compensated in monetary damages if the Plaintiff is successful in its action. Although the balance of convenience need not be determined given the finding that irreparable harm has not been established, there would inevitably be an impact on the Defendant if the injunction were granted and similarly, there will be an impact on the Plaintiff as the result of the injunction being refused. The balance of convenience would be divided.

## I. Background

[4] VisionWerx designs, manufactures, and sells Spaberry hot tubs in Canada and the United States [US]. The majority of its products are sold at trade shows, through its website, and through promotions with third parties. The Spaberry 5.0 is the two-person hot tub at issue that is part of VisionWerx's product line.

[5] Strong Industries is an American company that designs, manufactures, and sells the Evolution brand hot tubs in the US, the two-person model of which is marketed as the "Solstice" hot tub in Canada. Costco Canada is the sole distributor of the Solstice hot tub in Canada.

[6] The underlying dispute between the Plaintiff and the Defendants is about whether the Plaintiff's two-person hot tub, the Spaberry 5.0, is being passed off as the same two-person hot tub, or a "knock off", at a lesser cost by the Defendants. The parties take very different views of all the relevant facts and related issues, including whether the Plaintiff has any intellectual property rights that are entitled to protection, whether the two hot tubs look similar, whether confusion to the consumer has occurred, and whether there has been any damage to the goodwill of the Plaintiff. The only issue on this motion is whether the Defendants should be enjoined from continuing to manufacture, market and sell their two-person hot tub until the Plaintiff's action alleging passing off and seeking a permanent injunction and other relief is finally disposed of.

[7] The Plaintiff recounts that in November 2017, it became aware that Strong Industries was selling a hot tub named the "Ellipse" in the US market with design features that were, according to the Plaintiff, indistinguishable from the Spaberry 5.0. The Plaintiff recounts that it sent a cease and desist letter, *via* its US counsel, to Strong Industries, informing it that the Ellipse infringed VisionWerx's intellectual property rights and demanding that Strong Industries refrain from any further sale of the Ellipse. The Plaintiff claims that Strong Industries then ceased to distribute, market, or offer for sale the Ellipse in the US.

[8] The Defendants dispute these events. The Defendants state that the Plaintiff sent its cease and desist letter, *via* its Canadian counsel, to Mattress Firm Inc., a US retailer of Strong Industries. Mattress Firm responded that it would not stop selling the Ellipse, noting that there was no factual basis for the Plaintiff's intellectual property claim. The Defendants state that the Ellipse continues to be offered for sale in the US.

[9] The Plaintiff recounts that in January 2019, it became aware that Strong Industries was selling the Ellipse hot tub in Canada through Costco Canada as the “Solstice.” Ms. Sylvie Duplessis, a representative for Costco Canada, confirmed on cross-examination that Costco Canada began offering the Solstice on its website on November 23, 2018.

[10] The Plaintiff claims that during January 2019, two of its officers, Mr. Jeff Knight and Mr. Al McNeil, were approached at trade shows by several potential customers who had confused the Spaberry 5.0 with the Solstice. The Plaintiff adds that one of its distributors reported that potential customers confused the products and cancelled orders for the Spaberry 5.0 thinking that they could buy the same hot tub at Costco Canada for a lower price.

[11] On January 17, 2019, the Plaintiff sent Costco Canada a cease and desist letter, demanding that it remove the Solstice from its website and stores. Costco Canada continued to offer the Solstice for sale.

[12] On February 21, 2019, the Plaintiff served the Defendants with a Statement of Claim alleging infringement of the Spaberry distinguishing guise contrary to section 7 of the (then) *Trade-Marks Act* and seeking a permanent injunction restraining the Defendants from further marketing and selling the Solstice.

[13] The Plaintiff also filed this motion for an interlocutory injunction on February 21, 2019.

[14] On April 16 and 17, 2019, cross-examinations were conducted by video conference.

[15] The Plaintiff filed an Amended Statement of Claim in late October 2019. The Defendant subsequently filed an Amended Statement of Defence and Counterclaim in November. The Plaintiff filed an Amended Reply to the Counterclaim in December 2019.

II. The Plaintiff's Overall position

[16] The Plaintiff submits that it meets the *RJR* test for an interlocutory injunction. The Plaintiff submits that although this is a three-part test, the strength of one prong of the test can offset any weaknesses in the other prongs, (relying on *Corus Radio Inc. v Harvard Broadcasting Inc.*, 2019 ABQB 880 at para 21, 312 ACWS (3d) 620 [*Corus*]).

[17] The Plaintiff submits that the interlocutory injunction is necessary to preserve its business until the trial of its action. The Plaintiff submits that the threshold for the serious issue prong of the test is low and that it has raised several serious issues. The Plaintiff also submits that it will suffer irreparable harm, which cannot be quantified because of the impossibility of unscrambling its losses due to the Defendants' actions from other market forces.

[18] The Plaintiff acknowledges that it does not have a registered trademark for its distinguishing guise but submits that section 7 of the *Trademarks Act* applies to both registered and unregistered trademarks. The Plaintiff submits that its distinguishing guise is not simply functional, but is distinctive.

[19] The Plaintiff submits that the Spaberry 5.0 has several unique and distinctive features in its distinguishing guise, which are not purely functional, in particular: a front access panel at the

centre of the hot tub in a hemispherical shape with a pattern of bolt heads; sweeping, curved lines indented into the surface of the hot tub; and, a configuration of raised nodules inside the tub.

[20] The Plaintiff states that it has promoted and advertised the Spaberry distinguishing guise through interactive online media and promotional materials, and at conventions and expositions across Canada since 2014. The Plaintiff asserts that its hot tubs have widespread brand recognition among consumers of spa-related goods.

[21] The Plaintiff argues that its distinguishing guise is not simply functional and that it has met all three components of a passing off action: goodwill in the distinctiveness of the product; misrepresentation to the public by the Defendants; and damage to the Plaintiff (*Kirkbi AG v Ritvik Holdings Inc./Gestions Ritvik Inc.*, 2005 SCC 65 at paras 67-68, [2005] 3 SCR 302 [*Kirkbi*]).

[22] The Plaintiff alleges that the Defendants' marketing and sale of its Solstice hot tub is causing the Plaintiff irreparable harm because of the confusion between the two products and the resulting lost sales of the Spaberry 5.0, due to the cheaper price of the Solstice, as well as depreciation of the goodwill of Spaberry 5.0.

[23] The Plaintiff relies on the evidence of Mr. Knight, who recounts his experience with customers and potential customers that have confused the Solstice with the Spaberry 5.0 and claims that this has resulted in a loss in the distinctiveness of the Spaberry distinguishing guise and in lost sales.

[24] The Plaintiff argues that once a consumer thinks that he or she has been ripped off, there is no way for the Plaintiff to recover the damage to goodwill or reputation. The Plaintiff also argues that once distinctiveness is lost, damage to goodwill follows and monetary damages are an inadequate remedy – only an interlocutory injunction will prevent further loss.

### III. The Defendants' Overall Position

[25] The Defendants argue that the Court should not consider the Plaintiff's motion for an interlocutory injunction because the Plaintiff's distinguishing guise is not a registered trademark. The Defendants argue that there can be no confusion and no action for passing off without a valid trademark.

[26] The Defendants also submit that the Plaintiff's alleged distinguishing guise could not be a registered trademark because the majority of the features are functional, while others are purely ornamental (*Kirkbi* at paras 43, 60; *Remington Rand Corp. v Philips Electronics N.V.*, [1995] FCJ No 1660 (CA) at para 14, 104 FTR 160).

[27] The Defendants argue that the Plaintiff's motion for the injunction is vexatious. The Defendants submit that the Plaintiff's action and this motion cannot succeed because the Plaintiff has no intellectual property rights and is pursuing this only to sustain some market share.

[28] The Defendants allege that the Plaintiff defined the Spaberry distinguishing guise retrospectively, after comparison with the Solstice and tailored the guise, identifying only the features that were common to both the Solstice and Spaberry 5.0.



[29] The Defendants submit that if the Court entertains the Plaintiff's motion at all, the Plaintiff should be held to the exceptional higher standard to establish a serious issue – to show a strong *prima facie* case. The Defendants submit that the Plaintiff has not shown a strong *prima facie* case, nor has it established that it will suffer irreparable harm.

[30] The Defendants also submit that the Plaintiff has failed to establish a serious issue even on the low threshold. The Defendants repeatedly argue that the Plaintiff's action is vexatious, based on their position that the Plaintiff has no intellectual property rights in the Spaberry and that it has used cease and desist letters, its action and this injunction to thwart the Defendants' business.

[31] The Defendants argue that the Plaintiff has not met the test for a passing off action: the plaintiff has not established that it has any goodwill in the alleged trademark; the Defendants have not deceived the public by misrepresentation; and, the Plaintiff has not suffered any actual or potential damage as a result of the Defendants' actions. (*Kirkbi* at paras 67-68).

[32] The Defendants submit that the Plaintiff relies only on hearsay to support its argument that the claimed distinguishing guise is distinctive and that there is goodwill in the product and brand.

[33] The Defendants further submit that there is no evidence that they have misrepresented their own product to the public. The Defendants submit that their Solstice hot tub is only advertised and marketed as an Evolution Spa, Solstice.

[34] The Defendants also dispute that the Plaintiff has any evidence of actual or potential damages arising from the Defendants' sale of their own hot tubs. The Defendants again argue that the Plaintiff relies on hearsay evidence of confusion as recounted by Mr. Knight. In addition, the Defendants note that there is no evidence that anyone ordered a Solstice tub believing it to be a Spaberry tub.

#### IV. Statutory Provisions

[35] The Plaintiff's action was launched in February 2019 in accordance with the *Trade-marks Act* in force at that time. The Act was subsequently amended. The parties have not argued that the former *Trade-marks Act* does not apply to this proceeding. The relevant provisions of the former Act are set out below.

##### **Definitions**

**2** In this Act,

[...]

*distinguishing guise* means

(a) a shaping of goods or their containers, or

(b) a mode of wrapping or packaging goods

the appearance of which is used by a person for the purpose of distinguishing or so as to distinguish goods or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others; (signe

##### **Définitions**

**2** Les définitions qui suivent s'appliquent à la présente loi.

[...]

*signe distinctif* Selon le cas :

a) façonnement de produits ou de leurs contenants;

b) mode d'envelopper ou emballer des produits,

dont la présentation est employée par une personne afin de distinguer, ou de façon à distinguer, les produits fabriqués, vendus, donnés à bail ou loués ou les services loués ou exécutés, par elle, des produits fabriqués, vendus, donnés à bail ou loués ou des

distinctif) services loués ou exécutés, par d'autres. (distinguishing guise)

[...]

[...]

**trade-mark** means

**marque de commerce** Selon le cas :

(a) a mark that is used by a person for the purpose of distinguishing or so as to distinguish goods or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others,

a) marque employée par une personne pour distinguer, ou de façon à distinguer, les produits fabriqués, vendus, donnés à bail ou loués ou les services loués ou exécutés, par elle, des produits fabriqués, vendus, donnés à bail ou loués ou des services loués ou exécutés, par d'autres;

(b) a certification mark,

b) marque de certification;

(c) a distinguishing guise, or

c) signe distinctif;

(d) a proposed trade-mark; (marque de commerce)

d) marque de commerce projetée. (trade-mark)

[...]

[...]

7 No person shall [...]

7 Nul ne peut : [...]

(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,

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;

[...]

[...]

**13(2)**

**13(2)**

(2) No registration of a distinguishing guise interferes

(2) Aucun enregistrement d'un signe distinctif ne gêne

with the use of any utilitarian  
feature embodied in the  
distinguishing guise.

l'emploi de toute particularité  
utilitaire incorporée dans le  
signe distinctif.

#### V. The Test for an Injunction

[36] The three-pronged test for an injunction established by the Supreme Court of Canada in *RJR* – that there is a serious issue to be tried, that the party seeking the injunction would suffer irreparable harm, and that the balance of convenience favors the party seeking the injunction – has been consistently applied. In *RJR*, the Supreme Court of Canada reiterated the test established in *Metropolitan Stores (MTS) Ltd. v Manitoba Food & Commercial Workers, Local 832*, [1987] 1 SCR 110, 3 ACWS (3d) 390 [*Metropolitan Stores*], and provided additional guidance with respect to each part of the test. In *RJR*, the Court noted at para 48:

*Metropolitan Stores* adopted a three-stage test for courts to apply when considering an application for either a stay or an interlocutory injunction. First, a preliminary assessment must be made of the merits of the case to ensure that there is a serious question to be tried. Secondly, it must be determined whether the applicant would suffer irreparable harm if the application were refused. Finally, an assessment must be made as to which of the parties would suffer greater harm from the granting or refusal of the remedy pending a decision on the merits. It may be helpful to consider each aspect of the test and then apply it to the facts presented in these cases.

[37] With respect to the establishment of a serious issue, the Court held that “[t]here are no specific requirements which must be met in order to satisfy this test. The threshold is a low one. The judge on the application must make a preliminary assessment of the merits of the case.” The Court added that once the court considering the motion finds that the application is not frivolous or vexatious, even if it is of the view that the plaintiff will not be successful at trial, the court

should move on to consider whether the plaintiff has established irreparable harm and where the balance of convenience lies. The Court emphasized that in assessing the serious issue prong “[a] prolonged examination of the merits is generally neither necessary nor desirable.”

[38] In *RJR*, the Court noted two exceptions to the generally low threshold to establish a serious issue: where the grant or refusal of the injunction will amount to a final determination of the action (which is a rare exception); and, where a question of constitutionality is raised as a question of law. Where the determination of the motion for the injunction will effectively amount to a final disposition, the Court must conduct a more extensive view of the merits of the case. In such cases, the party seeking the injunction must establish a strong *prima facie* case.

[39] In *Jamieson Laboratories Ltd. v Reckitt Benckiser LLC*, 2015 FCA 104 at paras 23-25, 253 ACWS (3d) 191 [*Reckitt*], the Federal Court of Appeal reiterated the *RJR* test and emphasized that the threshold to establish a serious issue is low. The Court noted determining whether a serious issue has been raised should be based on an extremely limited review of the case.

[40] With respect to the establishment of irreparable harm, in *RJR*, the Supreme Court of Canada explained that it is only the harm to the party seeking the injunction that should be considered at this stage. The issue is whether the harm could be remedied in the determination of the decision on the merits.

[41] The Court noted the nature of irreparable harm and provided some examples at para 64:

"Irreparable" refers to the nature of the harm suffered rather than its magnitude. It is harm which either cannot be quantified in monetary terms or which cannot be cured, usually because one party cannot collect damages from the other. Examples of the former include instances where one party will be put out of business by the court's decision (*R.L. Crain Inc. v. Hendry* (1988), 48 D.L.R. (4th) 228 (Sask. Q.B.)); where one party will suffer permanent market loss or irrevocable damage to its business reputation (*American Cyanamid, supra*); or where a permanent loss of natural resources will be the result when a challenged activity is not enjoined (*MacMillan Bloedel Ltd. v. Mullin*, [1985] 3 W.W.R. 577 (B.C.C.A.)). The fact that one party may be impecunious does not automatically determine the application in favour of the other party who will not ultimately be able to collect damages, although it may be a relevant consideration (*Hubbard v. Pitt*, [1976] Q.B. 142 (C.A.)).

[42] With respect to the balance of convenience, in *RJR* the Supreme Court of Canada adopted the description from *Metropolitan Stores* (at 129) of "a determination of which of the two parties will suffer the greater harm from the granting or refusal of an interlocutory injunction, pending a decision on the merits". The SCC noted that the factors to be considered will vary from case to case.

#### VI. The Preliminary Issue – Can the Plaintiff Seek An Injunction?

[43] The Defendants argue that the Court cannot entertain the Plaintiff's motion for an injunction because the Plaintiff has not registered or sought to register a trademark or an industrial design for the alleged Spaberry distinguishing guise.

[44] The Defendants submit that the Plaintiff cannot resort to section 7 of the *Trade-marks Act* for its action of passing off. The Defendants argue that the unregistered trademark of Spaberry,

consisting of its evolving distinguishing guise, cannot be the basis for a registered trademark because the features relied on by the Plaintiff are functional.

[45] The Defendants point to evidence on the record, including pictures and screen shots of the two products to argue that the features of the Spaberry that the Plaintiff relies on as distinguishing are either functional or ornamental. The Defendants submit that other features of the Spaberry, which differ from the Solstice, have not been identified as part of the alleged distinguishing guise. The Defendants argue that the Plaintiff changed its description of its distinguishing guise, including after launching its Statement of Claim, by identifying the features that were similar to those of the Solstice and not those that differ.

[46] The Defendants also argue that, although distinguishing guises do not evolve, the Plaintiff added a feature to the alleged Spaberry distinguishing guise when it amended its Statement of Claim in October 2019.

[47] As noted above, the Plaintiff acknowledges that the name Spaberry is not a registered trademark, but submits that the *Trade-marks Act* protects both registered and unregistered trademarks. The Plaintiff disputes that its distinguishing guise is functional.

[48] In *Kirkbi*, the Supreme Court of Canada confirmed that the common law recognizes unregistered trademarks (including distinguishing guises), that such trademarks are protected by the common law tort of passing off, and that paragraph 7(b) of the *Trade-marks Act* codifies this tort. However, the Court also confirmed that a trademark cannot consist of utilitarian features –

i.e. cannot be protected. (*Kirkbi* at paras 23, 25, 30, 56-58.) The Court upheld the finding of the Federal Court and the Federal Court of Appeal that the doctrine of functionality barred the claim of infringement under paragraph 7(b).

[49] In *Kirkbi*, the Court also confirmed that the doctrine of functionality applies to both registered and unregistered trademarks, noting at para 58:

58 As Sexton J.A. found for the majority in the Court of Appeal, this argument has no basis in law. Registration does not change the nature of the mark; it grants more effective rights against third parties. Nevertheless, registered or not, marks share common legal attributes. They grant exclusive rights to the use of a distinctive designation or guise (*Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120, at p. 134; Gill and Jolliffe, at pp. 4-13 and 4-14). Indeed, the *Trade-marks Act*, by allowing for the assignment of unregistered trade-marks, recognizes the existence of goodwill created by these marks as well as the property interests in them. Registration just facilitates proof of title (Sexton J.A., at paras. 76, 77 and 81). Sexton J.A. rightly pointed out that the argument of *Kirkbi* appears to rest on a misreading of a 19th century judgment of the House of Lords, *Singer Manufacturing Co. v. Loog* (1882), 8 App. Cas. 15, aff'g (1880), 18 Ch. D. 395 (C.A.). This judgment stands only for the proposition that an unregistered trade-mark could be mentioned by competitors in comparative advertising, not that it failed to create exclusive rights to the name for the purpose of distinguishing the products. The functionality doctrine remains relevant, as the legal nature of the marks remains the same.

[50] The Court, at para 60, endorsed the reasons provided by Justice Sexton in the Federal Court of Appeal, including:

Thus a distinguishing guise which is primarily functional provides no rights to exclusive use and hence no trade-mark protection. In other words the fact that the distinguishing guise is primarily functional means that it cannot be a trade-mark.



[51] The Supreme Court of Canada also set out the elements of the tort of passing off as it has developed in Canadian law, noting at para 66:

Our Court appears to have adopted the tripartite classification in *Ciba-Geigy*. In that case, our Court allowed a passing-off action in respect of the get-up of a prescription drug. Gonthier J. reviewed some of the earlier jurisprudence and stated that claimants had to establish three elements in order to succeed in a passing-off action:

The three necessary components of a passing-off action are thus: the existence of goodwill, deception of the public due to a misrepresentation and actual or potential damage to the plaintiff. [p. 132]

[52] In *Nissan Canada Inc. v BMW Canada Inc.*, 2007 FCA 255, 159 ACWS (3d) 275, the Federal Court of Appeal characterized paragraph 7(b) with reference to *Kirkbi*, at para 14:

Paragraph 7(b) of the Act prohibits a person from directing public attention to his wares, services or business in such a way as to cause or be likely to cause confusion, at the time he commenced the activity in question, with the wares, services or business of another. As stated by this Court in *Kirkbi AG v. Ritvik Holdings Inc.*, [2004] 2 F.C.R. 241 at page 245, (2003) FCA 297, aff'd [2005] 3 S.C.R. 302, paragraph 7(b) is the equivalent statutory expression of the common law tort of passing off with one exception: for resort to that paragraph, a plaintiff must prove possession of a valid and enforceable trade-mark, whether registered or unregistered.

[My emphasis]

[53] The doctrine of functionality is not in dispute. The Plaintiff can pursue an action for passing off of its unregistered trademark – i.e., the distinguishing guise of the Spaberry 5.0, but only if the distinguishing guise is distinguishing and not purely functional.

[54] Although the Defendants submit that the Plaintiff's action and motion are vexatious based on their argument that the Plaintiff's distinguishing guise cannot be a valid trademark, I am not prepared to make any such conclusion on a motion for an interlocutory injunction. Whether the distinguishing guise is functional is an issue to be determined at trial. It is not the Court's role to delve into the merits and all the evidence at this stage.

[55] In *Google Inc. v Equustek Solutions Inc.*, 2017 SCC 34, [2017] 1 SCR 824 [*Equustek*], the Supreme Court of Canada noted that injunctions are equitable remedies and the powers of a court with equitable jurisdiction are, subject to relevant statutory limitations, unlimited (at para 23). At para 24, the Supreme Court noted:

Interlocutory injunctions seek to ensure that the subject matter of the litigation will be "preserved" so that effective relief will be available when the case is ultimately heard on the merits (Jeffrey Berryman, *The Law of Equitable Remedies* (2nd ed. 2013), at pp. 24-25).

[56] In *Equustek*, the Supreme Court referred to the *RJR* test, noting at para 25 that "[t]he fundamental question is whether the granting of an injunction is just and equitable in all of the circumstances of the case. This will necessarily be context-specific."

[57] In the present case, whether the injunction is just and equitable should be assessed in accordance with the three-part *RJR* test. The Defendants' arguments regarding whether an injunction can be considered with respect to the Plaintiff's unregistered trademark will be considered under the serious issue branch of the test.

VII. Has the Plaintiff established a Serious Issue?

A. *The general low threshold applies*

[58] The Defendants submit that the exception to the low threshold to establish a serious issue applies. The Defendants assert that granting the Plaintiff's motion will amount to a determination of the main action and, therefore, the Court must undertake a more extensive review of the merits to determine whether the Plaintiff's action is likely to succeed. The Defendants have pointed the Court to evidence in support of their position that the Plaintiff's action will not succeed.

[59] The Defendants argue that if the Court grants the injunction, Strong Industries and Costco Canada will not continue to offer the Solstice for sale in Canada. The Defendants point to the statements made by Mr. Wade Spicer (President of Strong Industries) and Ms. Sylvie Duplessis (a buyer for Costco Canada), attesting that if the injunction is granted, Costco Canada will “*never again*” offer the Solstice hot tub for sale. The Defendants state that they will not participate in a costly trial that would divert their attention from their business. The Defendants submit that because they will not pursue this litigation post injunction, the Plaintiff will, in effect, get the permanent injunction it seeks.

[60] I do not agree that the elevated threshold applies.

[61] The Defendants cannot rely on their own intentions and business choices to raise the legal burden for granting an interlocutory injunction based on statements made by two of their own representatives that Costco Canada will cease selling the Solstice if this injunction is granted.

This is their choice – which they could have made before now or could make in the future, regardless of the outcome of this motion.

[62] The Plaintiff seeks wider relief in the main action in addition to the permanent injunction, including a declaration that the Defendants have passed off their product as a Spaberry and have infringed Spaberry's distinguishing guise and an award of damages.

[63] In addition, Mr. Spicer's and Ms. Duplessis' statements about their intention to not sell the Solstice if this injunction is granted focus only on one model of hot tub out of many models that Strong Industries manufactures, markets and sells, and that Costco Canada markets and sells.

[64] The Defendants' position on this motion and their efforts to have the Court focus on the evidence is difficult to reconcile with their submission that they will not defend the action if the injunction is granted. However, this will be the Defendants' choice, not a forced outcome.

[65] As the Supreme Court of Canada noted in *RJR*, the exception to the low threshold to establish a serious issue is rare. The exception does not contemplate a scenario where the party opposing the injunction can make assertions to bring themselves within the exception and put the moving party to the higher standard of establishing a *prima facie* case.

[66] In the present circumstances, the Plaintiff need only meet the general, low threshold to establish a serious issue; i.e., whether there is an arguable issue that is neither frivolous nor vexatious. The Court will not delve into the merits of the case, despite the large record placed

before the Court on this motion, and the arguments made by both the Plaintiff and the Defendants regarding the merits.

[67] The Defendants have argued that the Federal Court of Appeal's guidance in *Reckitt* at para 23 – that the judge should not delve into the merits of the underlying action to determine whether a serious issue exists – can be distinguished because in *Reckitt* the serious issue was conceded. I disagree. In *Reckitt*, the issue before the Court of Appeal was whether the judge's assessment of the merits, in determining that a serious issue had been raised, had influenced his assessments of the other parts of the *RJR* test.

[68] The Court of Appeal noted at para 25:

[25] I accept that the Federal Court judge went too far in assessing the merits of Reckitt's case. As a general rule, the question whether a serious issue exists should be answered on the basis of no more than an "extremely limited review of the case" (*RJR-McDonald* at para. 55). In an interlocutory matter such as this one, the underlying dispute remains to be decided, and judges sitting on such matters should generally avoid wading any further into that underlying dispute than is strictly necessary to deal with the matter before them. In particular, the finding that "Jamieson is a likely trade-mark infringer marketing a likely confusing product", although made in the context of the balance of convenience analysis, goes beyond the bounds of necessity (reasons at para. 67).

[My emphasis]

[69] The Federal Court of Appeal's guidance is clear. Given that the low threshold applies in the present case, the Court would err if it conducted more than an "extremely limited review" of the merits of the case.

B. *A serious issue has been raised*

[70] As noted above, the Supreme Court of Canada explained in *RJR* at para 55, that in determining whether a serious issue has been raised, the court need only be satisfied that the application is neither frivolous nor vexatious. Even if the court is of the opinion that the plaintiff is unlikely to succeed at trial, the Court should move on to consider the other two parts of the test.

[71] Whether the Plaintiff has a distinguishing guise that is more than functional or utilitarian is an issue to be determined by the trial judge, along with other relevant questions regarding the evolution of the features of the distinguishing guise and whether the distinguishing guise can be the subject of an action based on passing off and whether the elements of passing off have been established.

[72] As noted above, in the discussion of the preliminary issue, having an unregistered trademark is not, on its own, a bar to bringing a passing off action under section 7 of the *Trade-marks Act*.

[73] The Plaintiff submits it has an unregistered distinguishing guise, with particular features that appear at least similar to the features of Strong Industries' product. The Plaintiff has pointed to evidence seeking to support its arguments with respect to the three elements of the passing off test. These issues are neither frivolous nor vexatious. The Court will not delve further into the merits of the action at this stage (*RJR* at para 55; *Reckitt* at paras 23-25).

## VIII. Has the Plaintiff Established Irreparable Harm?

### A. *The Plaintiff's Submissions*

[74] The Plaintiff submits that if the interlocutory injunction is not granted, it would suffer irreparable harm due to depreciating goodwill, loss of distinctiveness resulting from the confusion between the Spaberry 5.0 and the Solstice, and lost sales. The Plaintiff argues that it would be impossible to “unscramble” its business losses due to confusion with the Solstice from other factors. The Plaintiff adds that the inability to quantify the damage to its goodwill and the value of its trademark renders these harms irreparable (relying on *Sleep Country Canada Inc. v Sears Canada Inc.*, 2017 FC 148 at 112-115, 121, 279 ACWS. (3d) 821 [*Sleep Country*]; *Reckitt* at paras 53-54).

[75] The Plaintiff submits that the similarity between the Spaberry and the Solstice meets the test for confusion established in *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23 at para 20, [2006] 1 SCR 824; i.e., that a “casual consumer, in a hurry, with an imperfect recollection of the Spaberry 5.0” would confuse it with the Solstice. The Plaintiff points to the evidence of Mr. Knight who recounted that consumers confused the Solstice for the Spaberry 5.0. The Plaintiff argues that this represents only a small sampling of potential hot tub customers. The Plaintiff adds that while Costco Canada disclosed that four Solstice hot tubs were sold between November 2018 and April 2019, it has not disclosed the sales since that period.

[76] The Plaintiff also points to the evidence of Mr. Knight, who recounts that some customers refrained from purchasing the Spaberry 5.0, thinking that they could purchase the

same tub at Costco Canada for a lower price. The Plaintiff submits that this confusion has resulted in a loss of Spaberry's distinctiveness, goodwill and trust in Spaberry.

[77] The Plaintiff argues that its losses will be impossible to quantify and, as a result, the injunction is essential.

[78] The Plaintiff also argues that the harm it will suffer is irreparable because it will be unable to collect damages from Strong Industries, an American company based in Pennsylvania, with no assets in Canada. The Plaintiff notes that the inability to collect damages was specifically noted in *RJR* as a possible basis for finding irreparable harm.

B. *The Defendants' Submissions*

[79] The Defendants dispute that there is any goodwill in the Spaberry 5.0. Alternatively, the Defendants argue that if there is goodwill, there has not been any depreciation of goodwill or any lost sales of the Spaberry 5.0. The Defendants add that if there were lost sales, they could be easily quantified. The Defendants note that, if the Plaintiff is correct that the purchase of the Solstice by a confused customer represents a corresponding loss of business to the Plaintiff, this can certainly be quantified given that both Strong Industries and Costco Canada record their sales.

[80] The Defendants dismiss as ridiculous the Plaintiff's concern that if the Plaintiff were ultimately successful that it would be unable to collect damages from the Defendant, Strong Industries.



C. *There is no clear and convincing evidence of irreparable harm*

[81] In *RJR*, at para 64, the Supreme Court of Canada described irreparable harm as harm which “cannot be quantified in monetary terms or which cannot be cured, usually because one party cannot collect damages from the other.”

[82] In *Glooscap Heritage Society v Minister of National Revenue*, 2012 FCA 255 at para 31, [2012] FCJ No. 1661 [*Glooscap*], the Federal Court of Appeal noted the need for clear and convincing evidence of unavoidable harm, noting that speculation and assertions are not sufficient. This guidance reflects the earlier statement of the Court of Appeal in *Centre Ice Ltd. v National Hockey League*, [1994] FCJ No 68, 46 ACWS (3d) 519 [*Centre Ice*].

[83] In *Centre Ice* at para 7, the Court of Appeal held that evidence of irreparable harm must be “clear and not speculative.” With respect to establishing irreparable harm resulting from alleged confusion of a trademark, the Court explained at para 9:

Likewise, I believe that the learned Motions Judge erred in the passage quoted *supra*, when, in effect, he *inferred* a loss of goodwill not compensable in damages from the fact that confusion had been proven. This view of the matter runs contrary to this Court's jurisprudence to the effect that confusion does not, *per se*, result in a loss of goodwill and a loss of goodwill does not, *per se*, establish irreparable harm not compensable in damages. The loss of goodwill and the resulting irreparable harm cannot be inferred it must be established by "clear evidence". On this record, there is a notable absence of such evidence.

[Emphasis in the original]

[84] In the present case, if there is confusion between the Solstice and the Spaberry, this alone will not establish loss of distinctiveness or loss of any goodwill that the Plaintiff may have.

[85] Contrary to the Plaintiff's submission, a finding of confusion does not necessarily lead to a loss of goodwill for which the plaintiff cannot be compensated. There must be evidence of loss of goodwill and evidence of irreparable harm. In *Centre Ice*, the Court noted that, on the record before it there was only the affiant's statement of his belief that irreparable harm would result if the injunction were not granted, with no evidence to support the assertion. Like *Centre Ice*, the Plaintiff relies primarily on the statements of Mr. Knight and other assumptions that irreparable harm will result between now and the determination of the action. The evidence to establish loss of distinctiveness and loss of goodwill is lacking.

[86] I agree with the Defendants that the Plaintiff cannot rely on *Sleep Country* or *Reckitt* in support of its argument that confusion results in loss of distinctiveness and goodwill resulting in damages that cannot be quantified because they cannot be "unscrambled". In both *Sleep Country* and *Reckitt*, there was sufficient evidence and the facts are quite distinct.

[87] In *Reckitt*, the trademark owner, or licensee, began to market MEGARED krill oil capsules, in Canada in December 2013-January 2014. Jamieson had previously launched OMEGARED in June 2013. Reckitt did not have any opportunity to establish sales or profits before Jamieson's OMEGARED entered the market. This was a key consideration in finding that Reckitt's losses due to the alleged infringing conduct were not quantifiable.

[88] The Federal Court stated, at para 55 (*Reckitt Benckiser LLC v Jamieson Laboratories Ltd.*, 2015 FC 215, 253 ACWS (3d) 692):

In my view, where use of a confusing mark will cause the Plaintiffs' mark to lose its distinctiveness, that is, its ability to act as a distinctive and unique signifier of the Plaintiffs' wares or business, such damage to goodwill and the value of the mark is impossible to calculate in monetary terms. The courts have found that distinctiveness is lost when the infringer engages in national marketing which repeatedly emphasizes the confusing mark to the Canadian public. In my view, the evidence of confusion and my findings in relation to confusion provide clear and sufficient support to find irreparable loss of the MEGARED "name" goodwill and reputation if Jamieson's conduct is not enjoined.

[My emphasis]

[89] The Federal Court did not find that confusion will automatically result in loss of distinctiveness. Rather, the Court found that if there is evidence that confusion will result in a loss of distinctiveness, damage to goodwill is impossible to calculate.

[90] The Federal Court considered the jurisprudence, including *Centre Ice*, and found that based on the evidence on the record, it was not possible to quantify Reckitt's damages, and as a result, the harm would be irreparable. The Federal Court of Appeal agreed (*Reckitt* at para 2).

[91] In *Sleep Country* the issue was a slogan, used as a jingle that had enjoyed years of familiarity in the public and was associated with the Plaintiff's products. There was clear evidence of confusion and loss of distinctiveness. I noted at para 114:

As I have found, Sleep Country established, on a balance of probabilities, both confusion and loss of distinctiveness. Sleep Country is not relying on inferences from confusion, but rather on evidence of depreciation of goodwill and loss of distinctiveness.

[92] In the present case, the Plaintiff's evidence of loss of goodwill is based only on Mr. Knight's accounts of customer confusion. The Plaintiff has not provided clear and non-speculative evidence of loss of goodwill. The Plaintiff's argument that customers thought that the Solstice was a Spaberry produced for Costco Canada or that they could purchase the same hot tub for a cheaper price at Costco Canada is also based on Mr. Knight's account. This is not sufficient evidence of loss of goodwill.

[93] There is no direct evidence from a potential consumer or from a consumer that actually bought a Spaberry. There is no evidence that anyone purchased a Solstice, thinking it was a Spaberry and was not satisfied.

[94] Although some consumers may have purchased the Solstice, thinking it was a knock off (as alleged by the Plaintiff) there is no evidence how this harmed the Plaintiff, except due to a possible loss of a sale.

[95] The Plaintiff's reliance on *Sleep Country* to argue that its losses due to the Defendants' product cannot be unscrambled from other possible sources, overlooks the unique facts in *Sleep Country*, which as noted, was about confusion related to a slogan, used as a jingle, not a particular product. With respect to the issue of whether lost sales could be quantified, in *Sleep Country*, I noted at para 119:

The jurisprudence that has found that the harm resulting from infringement, if established, is quantifiable is, for the most part, about infringing products and sales of those products. This is unlike the present case where the infringing conduct is use of a slogan, which has been described as a "value proposition" and which is only one element of a multi-faceted marketing strategy.

Professor Wong described the slogan as an idea with subjective and qualitative elements.

[96] In *Sleep Country* there was extensive evidence about the different and complicated methodologies that could be employed – and the many assumptions relied on – to determine whether the resulting harm due to the lost sales and other damage due to the likely confusion between the two slogans could be quantified. I concluded at para 156 that it would be difficult to the point of impossibility to quantify Sleep Country’s losses.

[97] Such a conclusion cannot be reached in the present case. There is no evidence that it would be impossible to determine the lost sales due to any possible confusion between the Spaberry 5.0 and the Solstice.

[98] The dispute between the Plaintiff and the Defendants is about hot tubs, i.e., the sale of potentially infringing products. This type of possible harm is generally quantifiable.

[99] I agree with the Defendants that it would be possible to determine any lost sales incurred by the Plaintiff and quantify such losses in monetary terms. The Defendants have records of their sales which would be the starting point to determine whether the Defendants’ sales of the Solstice took sales away from the Plaintiff’s Spaberry 5.0.

[100] There is no evidence that the Plaintiff is at any risk of not collecting any damages that might be awarded if successful in its action due to Strong Industries having no assets in Canada. In addition, Costco Canada, is a well-known Canadian company, with assets in Canada.

IX. The Balance of Convenience Need Not Be Determined

[101] Given that the Plaintiff has not established with clear and convincing evidence that it will suffer irreparable harm between now and the time that the Plaintiff's action is finally determined, the injunction cannot be granted. Therefore, there is no need to consider which of the two parties would suffer greater harm depending on the outcome. However, the submissions of the parties are acknowledged and some observations are noted.

[102] Both the Plaintiff and Defendants argue that the balance of convenience favors them. Both also allege bad faith by the other in support of their argument that the balance of convenience lies in their favour. These allegations reflect the very acrimonious relationship between the parties. The allegations of bad faith are not worthy of consideration and do not need to be addressed.

[103] The Plaintiff submits that it is in a "David v Goliath" battle. The Plaintiff argues that the impact on VisionWerx, given that it only manufactures and sells a limited array of hot tubs, will be far greater than the impact on Strong Industries, which manufactures many hot tubs in the US and Canada and on Costco Canada, which sells the Solstice hot tubs, based on online orders, without keeping any inventory.

[104] The Plaintiff argues that the sales and distinguishing guise of the Spaberry 5.0 are of much greater importance to it than the Solstice is to the Defendants given that Costco Canada would continue to sell all the other hot tubs manufactured by Strong Industries.

[105] The Defendants also submit that they will suffer greater harm if the injunction is granted because Strong Industries will lose all future sales of the Solstice to Costco Canada and their business relationship will suffer. The Defendants also note that the stigma associated with being subject to an injunction, which would be perceived as having acted unlawfully, would tarnish both of their reputations.

[106] The Defendants add that the Plaintiff delayed pursuing its motion for an injunction for over a year, which calls into question the need for an injunction. The Defendants dispute that the cross-examinations and the amendments to the pleadings account for the delay, noting that the Plaintiff amended its pleadings to address the evolving features of the guise and that the cross-examination of Mr. Banga was pointless.

[107] Of course, there will be an impact on the Plaintiff due to the refusal to grant the injunction. There would also have been an impact on the Defendants if the injunction were granted.

[108] I appreciate that the Plaintiff regards itself as the “little guy” up against a larger manufacturer and retailer. However, the Plaintiff has also suggested that it has high sales of its line of hot tubs, not limited to the Spaberry 5.0. I do not agree with the Plaintiff that there are public policy considerations in favor of granting the injunction.

[109] I also do not agree with the Defendants' claim that their business relationship will be strained if an injunction is granted, which supports finding that the balance of convenience favors them.

[110] Nor do I agree with the Defendants that the stigma of being enjoined from selling the Solstice two-person hot tub would tarnish their reputations. That argument could be made by every business or person subject to an injunction. The evidence relied on by the Defendants demonstrates that Strong Industries has a large product line and large sales. Costco Canada's sales of only four Solstice hot tubs in a four month period does not suggest that this is a top seller for Strong Industries. Moreover, the Defendants' own assertion that it will not pursue the litigation any further if this injunction is granted suggests that the sale of this product is not their top priority.

X. Conclusion

[111] The Plaintiff relies on *Corus* for the proposition that the *RJR* test should be considered as a whole and the strength of one part of the test could offset weaknesses in other parts of the test, because the key issue is whether the injunction is equitable in all the circumstances. In *Corus* at para 21, the Court stated:

Despite the fact that an analysis of *Corus*' application proceeds through the tripartite test as if a series of stages, I agree that the three requirements for an injunction are to be considered as a whole when assessing their overall impact. The relative strength or weakness in one stage of the test may be offset by the relative weakness or strength in another.



[112] I do not regard this passage as suggesting that all three parts of the test need not be established; rather, in applying the test, a court should not lose sight of whether the injunction is equitable.

[113] I regard the *RJR* test as requiring that all three parts of the test must be established. Given that the threshold for serious issue is generally low, any other interpretation would collapse the three-part test into a two-part test. The jurisprudence from the Federal Court of Appeal has taken the approach that all parts of the test must be established (e.g. *Glooscap* at paras 4, 24).

[114] Although the Plaintiff has met the low threshold to establish a serious issue, the Plaintiff has not provided clear, convincing and non speculative evidence that irreparable harm will occur between now and the disposition of its action.

[115] The parties should expedite the completion of the next steps in this litigation and move forward with the determination of the Plaintiff's action.

#### XI. Costs

[116] In the event the parties have reached an agreement with respect to costs, the agreement shall be provided to the Court within 10 days of this Order. If no agreement has been reached, the Plaintiff and Defendants may each make submissions of no more than five pages with respect to reasonable costs, which shall be provided to the Court also within 10 days of this Order. The Court will issue a separate Order with respect to costs.

**ORDER in file T-342-19**

**THIS COURT ORDERS that:**

1. The Plaintiff's motion for an interlocutory injunction is dismissed.
2. The Plaintiff and Defendants shall advise the Court of any agreement reached regarding costs, and if not, may make submissions of no more than five pages with respect to reasonable costs, within 10 days of this Order. The Court will issue a separate Order with respect to costs.

"Catherine M. Kane"

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Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-342-19

**STYLE OF CAUSE:** VISIONWERX INVESTMENT, PROPERTIES, INC. v  
STRONG INDUSTRIES, INC., COSTCO WHOLESALE  
CANADA LTD.

**STYLE OF CAUSE:** STRONG INDUSTRIES, INC. v VISIONWERX  
INVESTMENT, PROPERTIES, INC.

**PLACE OF HEARING:** OTTAWA, ONTARIO

**DATE OF HEARING:** FEBRUARY 17, 2020

**REASONS FOR ORDER AND  
ORDER:** KANE J.

**DATED:** MARCH 19, 2020

**APPEARANCES:**

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