

IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation: *Amer Sports Canada Inc. v. Adidas
Canada Limited*,
2024 BCSC 3

Date: 20240102
Docket: S231061
Registry: Vancouver

Between:

Amer Sports Canada Inc.

Plaintiff

And

Adidas Canada Limited

Defendant

Before: The Honourable Justice Kent

Reasons for Judgment

In Chambers

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Place and Date of Trial/Hearing:

Vancouver, B.C.
June 28-29, 2023
November 6, 2023

Place and Date of Judgment:

Vancouver, B.C.
January 2, 2024

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Introduction and Summary

[1] The plaintiff does business as Arc'teryx Equipment ("Arc'teryx") and operates retail stores selling outdoor apparel and equipment including footwear, waterproof clothing and various related accessories. It is the owner of Canadian trademark registration TMA954353 for the trademark ARC'TERYX directed to International Class 35 ("Class 35") which grants the exclusive right to use the ARC'TERYX trademark in connection with retail store services and online retail store services in Canada.

[2] Arc'teryx claims that when the defendant ("adidas Canada") opened its retail store in the Kitsilano area of Vancouver under the TERREX name (the "TERREX store") in January 2023, it wrongfully traded on the reputation and goodwill of the Arc'teryx brand and violated laws related to the protection of trademarks, passing off, and unfair competition.

[3] Arc'teryx is applying for an interlocutory injunction restraining adidas Canada from using TERREX as the name of its retail stores, including but not limited to its store located at 2235 – W. 4th Ave., Vancouver, BC, and any online retail store services. It claims that if an interlocutory injunction is not issued, Arc'teryx will suffer irreparable harm.

[4] For the reasons that follow the interlocutory injunction is granted, albeit subject to certain terms and conditions.

Background Facts

[5] Arc'teryx was founded in Vancouver in 1989. Since 1999, it has been operating retail stores using the ARC'TERYX trademark and selling outdoor apparel and equipment. There are 24 such stores in Canada and 7 in British Columbia, including stores in Whistler, Victoria, and 5 in the Vancouver area.

[6] From 2013 until November 2022, Arc'teryx operated a retail store in the Kitsilano area of Vancouver at 2033 – W. 4th Ave. This store prominently displayed the ARC'TERYX trademark on the storefront.

[7] In November 2022, Arc'teryx relocated its Kitsilano store to larger premises at 2201 – W. 4th Ave. The new location is approximately two blocks from the previous location. It also prominently displays the ARC'TERYX trademark, as depicted below:



[8] adidas Canada is a wholly-owned subsidiary of adidas AG, a corporation created and maintained under the laws of the Federal Republic of Germany. adidas AG is a well-known manufacturer of athletic footwear, sportswear and sporting equipment distributed on a worldwide basis. adidas Canada is the exclusive authorized distributor of adidas brand merchandise in Canada.

[9] adidas AG is the owner of numerous trademarks that have been registered in Canada, including the word “adidas”, and the well-known three-stripe design that appears on many of its products.

[10] Another trademark owned by adidas AG and registered in Canada relates to what adidas calls “Performance Bars”. A sample image of the Performance Bars trademark registered in Canada is as follows:



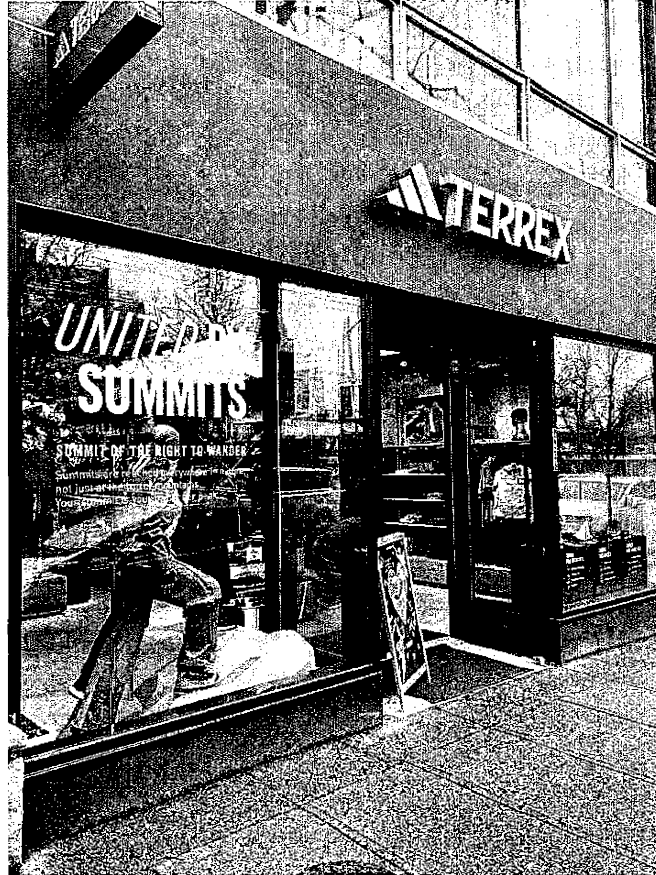
[11] Another wholly owned subsidiary of adidas AG is adidas International Marketing BV which is the owner of another trademark registered in Canada namely “TERREX”. The trademark application for TERREX was filed in March 2008 and the trademark was formally registered on October 12, 2010.

[12] Certain lines of adidas footwear and apparel bear either the TERREX trademark alone or a Performance Bars/TERREX combination. The latter combination appears as follows:



[13] In August 2022, adidas Canada signed a lease for a retail store location at 2235 W. 4th Ave. The “grand opening” of that store occurred on Saturday, January 21 and Sunday, January 22, 2023.

[14] The name “adidas” does not appear anywhere on the storefront signage. Instead, the storefront banner is the combination of the Performance Bars and TERREX trademarks, as depicted below:



[15] At numerous other locations, including stores in the Vancouver area, the adidas Performance Bars are accompanied by the name “ADIDAS” underneath.

[16] Arc'teryx claims that the triangular Performance Bars symbol resembles a stylized letter "A" and its positioning in front of the word TERREX results in signage resembling “A TERREX”, a format which creates “consumer confusion” between the TERREX store and the ARC'TERYX store just a few doors down the street. They say that even without the stylized letter “A”, the single name TERREX on the store and its proximity to the ARC'TERYX store is enough to create “consumer confusion” between the two stores.

The Litigation to Date

[17] Arc'teryx issued its Notice of Civil Claim against adidas Canada in the Vancouver registry of the Supreme Court of British Columbia on February 13, 2023.

[18] The causes of action pleaded in that Notice of Civil Claim include:

- wrongful infringement of the ARC'TERYX trademark within the meaning of s. 20 of the *Trademarks Act*, R.S.C. 1985, c. T-13;
- breach of s. 7(b) of the *Trademarks Act* by using the name TERREX on the Terrex Store to direct public attention to adidas' services or business in such a way as to cause confusion with the services and business of Arc'teryx;
- breach of s. 22 of the *Trademarks Act* by using a trademark (TERREX alone or TERREX in combination with the Performance Bars) confusing with the registered ARC'TERYX trademark in a manner that is likely to have the effect of depreciating the value of goodwill attached to the latter;
- wrongful misappropriation of the goodwill and reputation in the ARC'TERYX trademark, amounting to the common law tort of passing off; and,
- wrongfully suggesting an association between its business and that of Arc'teryx, a false and misleading material representation to the public contrary to s. 52(1) of the *Competition Act*, R.S.C. 1985, c. C-34.

[19] By its Notice of Civil Claim, Arc'teryx seeks the following relief against adidas Canada:

- interim, interlocutory and permanent injunctions to prevent any further use of TERREX for retail store services, including online retail store services;
- damages or an accounting of adidas' wrongfully made profits;
- exemplary and punitive damages, and,

- special costs.

[20] On March 14, 2023 adidas Canada filed its Response to Civil Claim. It is a prolix document, some 31 pages long, one which suffers from many of the flaws identified by the Court of Appeal in *Mercantile Office Systems Private Ltd. v. Worldwide Warranty Life Services Inc.*, 2021 BCCA 362.

[21] Paragraph 4 of the Response purports to deny “all allegations contained in the Notice of Civil Claim” ... “except as expressly admitted herein”. Division 2 of the pleading, which is supposed to set out the “Defendants Version of Facts” identifies various adidas corporate entities, refers to an attached 16 page schedule listing different types of adidas-related registered trademarks, and waxes poetic about the adidas brand with unnecessary reference in multiple paragraphs to numerous named athletes, professional and amateur leagues/teams and so on. adidas Canada also emphasizes the “hundreds of millions of dollars” adidas has spent marketing and promoting their trademarks which has resulted in sales of “billions of dollars worth of product world-wide”.

[22] While proclaiming the validity of adidas’ own many trademarks, adidas Canada “does not admit” the validity of the registered ARC'TERYX trademark, but “admits only that the records of the Canadian Intellectual Property Office indicate” that the plaintiff is the owner of that trademark.

[23] Thereafter, still in Division 2 related to its “Version of Facts” and notwithstanding the blanket denial in para. 4 referred to above, the Response contains numerous paragraphs over many pages purporting to expressly deny specified allegations found in the plaintiff's Notice of Civil Claim. The word “denies” or “denied” appears some 20 times in this section of the Response and reappears four more times in the five paragraph “Legal Basis” part of the pleading explaining why adidas has no liability. Suffice it to say adidas Canada is denying every element of every claim made by Arc'teryx and is putting it to the strict proof thereof.

[24] adidas Canada’s assault on the Arc'teryx’s pleading does not end there. In no less than eight other paragraphs in its Response, it refers to various refusals by the plaintiff to provide particulars. It then purports to “reserve rights to request and obtain such particulars and to amend and supplement” its Response. Elsewhere adidas Canada states that the plaintiff's Notice of Civil Claim fails to plead material facts, such that certain offending paragraphs should be struck out as “scandalous, frivolous or vexatious”. It again states it “reserves the right to bring an application to strike” the offending paragraphs. Suffice it to simply say that adidas Canada challenges the adequacy of the Arc'teryx pleading.

[25] On March 15, 2023, Arc'teryx filed its Notice of Application seeking an interlocutory injunction restraining adidas Canada from using (displaying) TERREX as the name of its retail stores, including the store located at 2235 – W. 4th Ave., Vancouver and also with respect to any online retail store services.

[26] adidas Canada filed its admirably succinct Application Response on April 13, 2023 saying, among other things, that the plaintiff's action is bound to fail and the injunction should be refused because the plaintiff “is seeking to restrain legitimate competition”.

[27] The application materials comprises some 13 separate volumes which, stacked on top of each other, were almost 4 feet high. The Arc'teryx written submissions were 85 pages long whereas the adidas submissions totalled a mere 56 pages. The hearing proceeded for two days on June 28-29, 2023, a time estimate which, not surprisingly, turned out to be inadequate. The matter was completed some four months later on November 6, 2023 at which time judgment was reserved.

Legal Principles Governing Applications for Interlocutory Injunctions

[28] Although the parties cited almost 100 different authorities during the course of their argument, I (perhaps inadequately) summarized this area of the law in *526901 B.C. Ltd. v. Dairy Queen Canada Inc.*, 2018 BCSC 1092. It will hopefully suffice to explain the necessary framework for analysis:

LAW RE INTERLOCUTORY INJUNCTIONS

10 In Canada, the test for an interlocutory injunction is drawn from a decision of the U.K. House of Lords, *American Cyanamide Co. v. Ethicon Ltd.*, [1975] A.C. 396 (H.L.). This three-part test is referred to as the "RJR-MacDonald test" since its endorsement in *RJR-MacDonald Inc. v. Canada (Attorney General)*, [1994] 1 S.C.R. 311.

11 The *RJR-MacDonald* test requires an applicant to establish three elements in order to obtain an interlocutory injunction:

1. there is a serious issue to be tried;
2. the applicant will suffer irreparable harm absent the injunction; and
3. the balance of convenience favours the granting of the injunction.

12 In *R. v. Canadian Broadcasting Corp.*, 2018 SCC 5 at para. 12 ("*R. v. C.B.C.* 2018"), the Court summarized the history and content of the RJR-MacDonald test:

In *Manitoba (Attorney General) v. Metropolitan Stores Ltd.*, [1987] 1 S.C.R. 110 and then again in *RJR--MacDonald*, this Court has said that applications for an interlocutory injunction must satisfy each of the three elements of a test which finds its origins in the judgment of the House of Lords in *American Cyanamid Co. v. Ethicon Ltd.* At the first stage, the application judge is to undertake a preliminary investigation of the merits to decide whether the applicant demonstrates a "serious question to be tried", in the sense that the application is neither frivolous nor vexatious. The applicant must then, at the second stage, convince the court that it will suffer irreparable harm if an injunction is refused. Finally, the third stage of the test requires an assessment of the balance of convenience, in order to identify the party which would suffer greater harm from the granting or refusal of the interlocutory injunction, pending a decision on the merits.

13 Although the *RJR-MacDonald* test comprises three elements, injunctions are equitable remedies and the fundamental question in each case is whether the granting of the injunction is just and equitable in all the circumstances. *British Columbia (Attorney General) v. Wale* (1986), 9 B.C.L.R. (2d) 333 at pp. 346-347 (C.A.), aff'd [1991] 1 S.C.R. 62, is often cited for this proposition in British Columbia.

14 *Wale* challenges the necessity of a three-part test and, more generally, the rigid formulation of any test for granting injunctions. Quoting from Sharp, *Injunctions and Specific Performance*, the Court endorsed the following statement at p. 347:

The checklist of factors which the courts have developed - relative strength of the case, irreparable harm, and balance of convenience - should not be employed as a series of independent hurdles. It should be seen in the nature of

evidence relative to the central issue of assessing the relative risks of harm to the parties from granting or withholding interlocutory relief.

15 On this basis, the Court in *Wale* put forward a two-part test requiring an applicant to establish that there is a serious issue to be tried, and that the balance of convenience favours the granting of the injunction. There is, however, no practical effect to the distinction between the two-part test expressed in *Wale* and the *RJR-MacDonald* test; see *Coburn v. Nagra*, 2001 BCCA 607 at para. 7.

16 Although the Supreme Court of Canada has since expressly endorsed the *RJR-MacDonald* test as the appropriate analytic framework for injunctions, the comments of the Court in *Wale* highlight the importance of focusing on the circumstances of the case as a whole, and the requirement that any injunctive relief be just and equitable in light of those circumstances. See also *Edward Jones v. Voldeng*, 2012 BCCA 295 at paras. 20-24.

What is a serious issue to be tried?

17 As noted above, the Court in *R. v. C.B.C.* 2018, confirmed that the first element of the three-part test for an interlocutory injunction requires a preliminary investigation of the merits to decide whether the applicant demonstrates a serious question to be tried, in the sense that the application is neither frivolous nor vexatious. Once satisfied that the application is neither vexatious nor frivolous, the court should proceed to the second and third elements even if it is of the opinion that the applicant is unlikely to succeed at trial. At this first stage, the court should not embark on a prolonged or extensive examination of the merits: *Vancouver Aquarium Marine Science Centre v. Charbonneau*, 2017 BCCA 395 at paras. 39-40; *RJR-MacDonald* at pp. 402-403.

18 There are, however, some exceptional situations where an applicant for an interlocutory injunction confronts an elevated threshold at the first stage of the *RJR-MacDonald* test and where the applicant must instead demonstrate that it has a strong *prima facie* case. In *R. v. C.B.C.* 2018 at para. 17, the Court considered various descriptions of this strong *prima facie* case threshold and clarified the standard:

... Common to all these formulations is a burden on the applicant to show a case of such merit that it is very likely to succeed at trial. Meaning, that upon a preliminary review of the case, the application judge must be satisfied that there is a strong likelihood on the law and the evidence presented that, at trial, the applicant will be ultimately successful in proving the allegations set out in the originating notice. [Emphasis added.]

19 In *RJR-MacDonald* at pp. 401-404, the Court identified three possible exceptions where the "serious question to be tried" test is discarded in favour of the strong *prima facie* case threshold:

1. where the result of the interlocutory motion will in effect amount to a final determination of the action, i.e. when the right which the applicant seeks to protect can only be exercised immediately or not at all, or when the result of the

application will impose such hardship on one party as to remove any potential benefit from proceeding to trial;

2. where the factual record is largely settled before the application and the facts in issue are not substantially in dispute; and

3. where a question respecting the constitutional validity of legislation presents itself as a simple question of law alone, which can be finally settled by the motions judge.

20 The Court in *RJR-MacDonald* offered some examples that might fall within the first exception: restraining picketing, granting a mandatory injunction allowing a politician to participate in a televised debate, and enjoining a woman in an advanced stage of pregnancy from having an abortion. Subsequent cases have also included the summary enforcement of restrictive covenants in employment or commercial agreements and quia timet injunctions sought before the threatened harm has actually occurred: see for example, *Belron Canada Incorporated v. TCG International Inc.*, 2009 BCSC 596.

21 As well, the Court in *R. v. C.B.C.* 2018 concluded that applicants seeking mandatory interlocutory injunctions as opposed to prohibitory interlocutory injunctions must also demonstrate a strong *prima facie* case, rather than simply showing there is a serious issue to be tried. In that case the Court commented on the difficulty of distinguishing between mandatory and prohibitory injunctions and noted the essential question is whether the overall effect of the injunction would be to require a party to do something (mandatory) or to refrain from doing something (prohibitory).

What is irreparable harm?

22 The Court in *RJR-MacDonald* described the second factor for granting an interlocutory injunction as "deciding whether the litigant who seeks the interlocutory injunction would, unless the injunction is granted, suffer irreparable harm". It stated:

63 At this stage the only issue to be decided is whether a refusal to grant relief could so adversely affect the applicants' own interests that the harm could not be remedied if the eventual decision on the merits does not accord with the result of the interlocutory application.

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 ...; where one party will suffer permanent market loss or irrevocable damage to its business reputation ...; or where a permanent loss of natural resources will be the result when a challenged activity is not enjoined ... 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 ... [Emphasis added; citations omitted.]

23 When considering the nature of irreparable harm sufficient to sustain an injunction, the court will bear in mind that unquantifiable loss is not necessarily the same as loss that is difficult to assess. The court regularly conducts complicated and challenging assessments of financial loss in a variety of commercial, breach of contract and tort cases, including losses based on uncertain future events, fluctuating market conditions, and various other contingencies. This includes situations where the aggrieved party has been put out of business or rendered unemployable as a result of catastrophic events such as wrongful receiverships, destruction of property or serious personal injury.

24 In *Belron Canada*, after referring to the *RJR-MacDonald* excerpts set out above, the Court stated, at para. 91:

It follows that if the ordinary legal remedy of damages will provide appropriate or adequate compensation and the defendant is able to pay them, the extraordinary step of restraining a defendant's conduct pending a determination on the merits, is not usually justified.

25 Some debate exists about the appropriate evidentiary burden placed on the injunction applicant to establish irreparable harm. In *Vancouver Aquarium* the Court concluded, at para. 60:

[T]here surely must be a foundation, beyond mere speculation, that irreparable harm will result. Interlocutory injunctive relief pending the trial of the issues is a significant remedy, and should be invoked only when the test in *RJR-MacDonald* is satisfied on a sound evidentiary foundation. [Emphasis added.]

26 In *RJR-MacDonald* the Court emphasized that this second stage of irreparable harm analysis only applies to the harm that might be suffered by the injunction applicant and not any harm that might be suffered by the respondent should the relief sought be granted. This latter factor "is more appropriately dealt with in the third part of the analysis [and] any alleged harm to the public interest should also be considered at that [third] stage" (para. 62).

When does the balance of convenience favour the granting of an interlocutory injunction?

27 The third factor to be applied in an application for interlocutory injunction relief is "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": *RJR-MacDonald*, para. 67. The Court observed that in light of the relatively low threshold of the "serious issue" requirement and the difficulty in applying the test of irreparable harm in some cases, many interlocutory proceedings will be determined at this third stage of analysis.

28 The Court in *RJR-MacDonald* noted that the factors to be considered in assessing the "balance of inconvenience" are numerous and will vary in each individual case. It cautioned that it would be unwise to attempt even to list all

of the various matters that may need to be taken into consideration, let alone to suggest the relative weight that should be attached to them.

29 One case frequently referred to in injunction applications, which does list a number of factors that "should" be considered in assessing the balance of convenience, is *Canadian Broadcasting Corp. v. CKPG Television Ltd.* (1992), 64 B.C.L.R. (2d) 96 at p. 102 (C.A.). The list is:

- *the adequacy of damages as a remedy for the applicant if the injunction is not granted and for the respondent if an injunction is granted;
- *the likelihood that if damages are finally awarded they will be paid;
- *the preservation of contested property;
- *other factors affecting whether harm from granting or refusal of the injunction would be irreparable;
- *which of the parties has acted to alter the balance of their relationship and so affect the status quo;
- *the strength of the applicant's case;
- *any factors affecting the public interest; and
- *any other factors affecting the balance of justice and convenience.

30 While it is sometimes said that when everything else is equal, it is prudent to preserve the *status quo* in interlocutory injunction applications (an observation by Lord Diplock in *American Cyanamide*), the Court in *RJR-MacDonald* stated, at para. 80, "This approach would seem to be of limited value in private law cases...".

A Serious Issue to be Tried

[29] The parties disagree on the test to be applied in this case. Arc'teryx submits it is the low threshold test of whether the claim is neither frivolous nor vexatious, a test that does not involve any substantial examination of the merits.

[30] adidas Canada, on the other hand, argues that Arc'teryx is essentially seeking a mandatory injunction requiring it to remove the TERREX name from the front of its store, and hence the test to be applied is whether Arc'teryx has demonstrated a "strong likelihood" on the law and the evidence at this hearing that it would ultimately be successful at trial.

[31] Given this threshold dispute, it is perhaps not surprising that this application resembled a summary trial. In addition to lengthy affidavits carefully drafted by

lawyers using formal language/syntax (including defined terms) which no ordinary person would ever use in a witness box, the Court was treated with competing expert reports purporting to opine on matters the Court will ultimately be required to decide including whether the store branding is likely to create confusion among consumers and to cause a “loss of distinctiveness” of ARC'TERYX tradename along with a loss of “brand momentum and affinity”, and whether there are “accepted methodologies for quantifying losses in trademark proceedings” (presumably to rebut any notion of “irreparable harm”).

[32] But this application is not a summary trial. Neither party invoked R. 9-7 of the *Supreme Court Civil Rules*, B.C. Reg. 168/2009. I will therefore not be making findings of fact nor resolving conflicts of opinion, expert or otherwise, necessary to decide the liability issues in this case. That will occur only at an actual trial, whether summarily in chambers (the proverbial “trial in a box”) or more traditionally in a courtroom with live witnesses testifying in their authentic voice.

[33] This is not a motion that will in effect amount to a final determination of the action. It is not a situation where the outcome of this application will impose such hardship on a party as to remove the potential benefit from proceeding to trial. Nor is it a situation where the factual record is largely settled and the facts in issue are substantially not in dispute... as I pointed out above, adidas Canada admits nothing and contests every material element of the Arc'teryx's claim.

[34] Neither is this application properly characterized as involving a mandatory as opposed to a prohibitory injunction. The order I am granting is deliberately narrow in its application and simply requires adidas Canada to refrain from using the trademark TERREX as the storefront banner at its 4th Ave. location. The “low threshold” test therefore applies.

[35] The Arc'teryx's claim is neither frivolous nor vexatious. There are many serious issues to be tried.

[36] When one places an image of the Performance Bars and TERREX trademarks beside an image of the ARC'TERYX trademark, the similarity between the two and the potential for confusion is immediately obvious.

[37] The parties agree that the common law action for passing off and any action for deemed infringement of a trademark both depend on a finding of likelihood of confusion between the two trademarks.

[38] They agree such confusion is assessed as “a matter of first impression in the mind of a casual consumer somewhat in a hurry”, one that does not closely examine the similarities and differences between the marks: *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27 , among other cases.

[39] Arc'teryx points to local media articles in late December 2022 and January 2023 where the confusion between the adidas and ARC'TERYX trademarks was specifically noted. One article, which appeared in the Vancouver Magazine, was entitled “Adidas ‘Terrex’ Store Opens in Same Kitsilano Block as New Arc'teryx Store, Confusing Everyone”.

[40] In another article published by Business Vancouver in late January 2023 entitled “Terrex, Arc'Teryx battle it out on Vancouver's West 4th Avenue”, for which one of the later adidas affiants in this case was interviewed (the defendants Vice-President of Retail), the author notes that the store banners sound similar and the names could be confusing. The Vice-President is then quoted as saying “Adidas is not concerned about any lawsuits or court actions aimed at halting the use of the Terrex name” (something she denies in her affidavit).

[41] As well, Arc'Teryx also adduces evidence from private investigators who interviewed some employees in the TERREX store on W. 4th Ave. who supposedly admitted that at least 100 or more people came into the store mistaking it for the Arc'Teryx store down the road and to whom the following statement was attributed “it is a common mistake for shoppers to get the two brands mixed up”.

[42] adidas Canada of course disputes the accuracy and admissibility of this evidence and, among other things, tenders the evidence of a marketing research specialist who designed and conducted a survey of adults likely to shop at these types of retail stores. According to the expert, the survey “provides clear evidence that exposure to the TERREX mark and logo does not cause confusion with the mark ARC'TERYX”.

[43] adidas Canada submits, quite rightly it appears, that this type of evidence is admissible and is commonly used in trademark litigation such as the present case.

[44] Suffice it to say for present purposes that there is a significant contest between the parties whether the use of the parties' respective trademarks on the banner of their neighbouring stores leads to confusion of a sort required to sustain a cause of action for trademark infringement or for the tort of passing off. I would also note that in both instances, the law does not require wilful misrepresentation or deceit in order for these sort of claims to succeed.

[45] adidas Canada has adduced evidence regarding adidas' past marketing and brand strategies for the TERREX products and for independent TERREX stores established in other countries before opening their store on Vancouver's W. 4th Ave. If accepted at trial, this may defuse any allegations of deceit. However, it remains highly probable that adidas Canada decided to “court the risk” of confusion knowing full well that Arc'teryx had an international class 35 trademark registration for the mark ARC'TERYX in association with retail store services whereas no such trademark registration had been granted for TERREX. This may be sufficient to found liability.

[46] In the result, I conclude that this is not one of those exceptional cases where the court is required to apply any “strong likelihood of success at trial” standard in assessing the first element of the three-part test for an interlocutory injunction. Rather, the lower threshold test applies, one which does not require a prolonged or extensive examination on the merits and one which here amply demonstrates a serious question to be tried.

[47] I might add that even if the “strong *prima facie* case” test applied and I had undertaken a much more stringent weighing of the evidence adduced on this application, the result would very likely have been the same.

Irreparable Harm

[48] Arc'teryx raises two arguments in favour of the conclusion that it will suffer irreparable harm if an interlocutory injunction is not granted.

[49] First, it says the confusing similarity of the Performance Bars logo beside the TERREX trademark on the adidas storefront will cause casual consumers to be diverted from its store into the adidas store which in turn will result in lost sales and loss of market share that would be extremely difficult to quantify in monetary terms.

[50] Second, Arc'teryx points out their trademark registration in international class 35 bestows statutory exclusivity and protection for the use of that trademark in association with retail store services and that the distinctiveness of their trademark, once lost, will be virtually impossible to regain. It cites in support of this conclusion the report of their marketing and brand management expert, Mr. Kincaid.

[51] In reply, adidas Canada argues that Arc'teryx has failed to meet its burden of proof regarding irreparable harm. It points out that the word “irreparable” is not used anywhere in Mr. Kincaid's report. They say Mr. Kincaid has not conducted any analysis or reviewed any of the “accepted methodologies” for quantifying losses in trademark proceedings.

[52] For its part, adidas Canada relies on the report of its expert, Mr. Soriano, a Chartered Business Valuator whose practice for the past 32 years has been “dedicated” to quantification of financial loss and valuation of business interests. He states that he has been retained in over 1000 assignments and provided oral evidence more than 75 times on matters involving the value of intangible assets and the quantification of financial loss in the context of intellectual property disputes.

[53] Mr. Soriano purports to conclude that, even “assuming the Court finds that there is a likelihood of confusion, loss of distinctiveness and/or loss of goodwill, from a damages perspective it is my opinion that [Arc'teryx] will not experience irreparable harm because [the] losses are quantifiable with the degree of precision common in damages analyses”.

[54] Mr. Soriano has previously written opinions and testified in trademark infringement cases in favour of injunctive relief on the basis that damages could not be quantified. Part of his report in the present case is dedicated to distinguishing one of these earlier cases, *Sleep Country Canada Inc. v. Sears Canada Inc.*, 2017 FC 148 and, not surprisingly, counsel for Arc'teryx raises the flexibility of Mr. Soriano's perspectives to critique his “opposite view” in this particular litigation.

[55] I pointed out earlier that this application is not a summary trial and that I would not be making findings of fact nor resolving conflicts of expert opinion on issues such as whether any infringement by adidas Canada of the ARC'TERYX trademark gives rise to irreparable harm of the sort that cannot be adequately compensated by way of an award of damages. Those determinations will have to be made at trial.

[56] For present purposes, however, I find persuasive Mr. Kincaid's assertion that “distinctiveness, once lost is virtually impossible to regain” and that “the impact on loss of emotional brand equity would be extremely difficult to quantify”. It is a logical proposition, one that underlies the statutory protections against infringement that registration of a trademark bestows.

[57] Furthermore, I am not presently persuaded that this type of intellectual property trespass is capable of being fully remedied by an award of damages. Regardless of the methodology underlying any approach to assessment, money may be a poor substitute for the uniqueness or distinctiveness of an original art form, even if the latter was created for commercial purposes. All the more so, perhaps, where, as here, David is pitted against Goliath in an already uneven contest.

Balance of Convenience

[58] I repeat here the observations made by the Federal Court in *Reckitt Benckiser LLC v. Jamieson Laboratories Ltd.*, 2015 FC 215, where an interlocutory injunction was granted restraining the defendant from using a confusingly similar trademark:

[63] Balance of convenience in many respects resolves into a question of who will be harmed most, the Plaintiffs or Jamieson, in addition to consideration of all the circumstances. Each party in this case has invested considerable sums into the Canadian marketplace: the Plaintiffs in terms of their purchase of Schiff's Canadian registered trade-mark MEGARED, re-organization costs, advertising dollars, product launch and other related expenses. Jamieson incurred the "massive" and historic costs of its product launch, advertising dollars, and other related expenses also. The Plaintiffs are certainly favoured in terms of balance of convenience by virtue of their ownership of the Canadian registered trade-mark MEGARED, and the statutory protection it affords. Given my serious issue findings coupled with the "exclusive" rights granted to the Plaintiffs by virtue of their registered trade-mark, the fact that the Plaintiffs have every reason to expect and to enjoy the benefits of their statutory exclusivity and protection, and the compelling fact that the Plaintiffs' losses are irreparable, I find that the balance of convenience favours the Plaintiffs. This decision is supported by other factors as well.

[64] At all material times, Jamieson proceeded at its own peril and knowingly assumed the risks of infringing the Plaintiffs' registered Canadian trade-mark. Jamieson proceeded, in other words, with its eyes wide open. Within a month of deciding to compete on the basis of OMEGARED, Jamieson itself discovered the MEGARED mark in its CIPO searches. Jamieson decided to press on. Five months later, when Jamieson was starting its OMEGARED product roll out nationwide, the Plaintiffs sent Jamieson not one, but two legal letters from the Plaintiffs' counsel bringing to Jamieson's attention the prior existence of the registered MEGARED mark and its exclusive rights in Canada. The Plaintiffs threatened Jamieson with legal action if it did not cease the OMEGARED roll out. Again, Jamieson elected to take the risk and by doing so proceeded with its eyes wide open. It is true Jamieson spent a great deal of money, but it took that risk. Both parties went into their respective courses of business with their eyes open. Any losses Jamieson will suffer are, in my view, self-inflicted.

[Emphasis added]

[59] It is perhaps worth repeating here some of the concepts informing Canadian trademark law.

[60] A trademark is a combination of letters, words, sounds or designs that distinguishes a merchant's goods or services from the goods or services of other merchants in the marketplace.

[61] A trademark can be registered under the auspices of the *Trademarks Act*, R.S.C. 1985, c. T-13 or it can be unregistered. However, pursuant to s. 19 of the *Trademarks Act*, “the registration of a trademark in respect of any goods or services, unless shown to be invalid, gives to the owner of the trademark the exclusive right to use throughout Canada of the trademark in respect of those goods or services.” (emphasis added).

[62] Section 20 of the *Trademarks Act* provides for deemed infringement of a trademark when any person who is not entitled to its use and who, among other things, sells, distributes or advertises any goods or services in association with a trademark or tradename that is confusing with the registered trademark.

[63] Section 22 (1) of the *Trademarks Act* provides that “No person shall use a trademark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto”.

[64] In this case,

- Arc'teryx has a trademark registration in international class 35 for ARC'TERYX in association with retail store services...Arc'teryx thus has the exclusive right to use that trademark for retail store services;
- adidas has applied for a trademark registration in international class 35 for TERREX in association with retail store services, but that application remains pending and has not yet been granted. Arc'teryx will be objecting to the adidas registration on grounds of confusion;
- the combination of adidas' Performance Bars trademark with the TERREX trademark (i.e., “A TERREX”) has a similar appearance to the ARC'TERYX trademark and appears to have caused some confusion among some casual

consumers for which Arc'teryx may have a proper cause of action against adidas Canada, whether in tort or under the *Trademarks Act*,

- adidas knew full well that it did not have a trademark registration in international class 35 for its trademark TERREX when it opened its new store using the Performance Bars/TERREX combination as the store banner and expressly chose not to use the trademark “ADIDAS” in that store banner, even though the store was located on the same block just a few doors down from the ARC'TERYX store on Vancouver's W. 4th Ave.; and,
- when questioned by the Court during the hearing, whether it might be prepared to resolve matters by inserting the trademark “ADIDAS” as part of the storefront banner in order to avoid possible confusion with their competitor down the street, adidas Canada politely declined.

[65] In these circumstances, adidas Canada is clearly the party who altered the *status quo*. Indeed, they made no bones about the fact that they are standing on their rights to make Arc'teryx prove every element of its case before yielding any ground in the TERREX versus ARC'TERYX dispute. As in the *Reckitt* case, adidas is “electing to take the risk and in doing so are proceeding with their eyes wide open”.

[66] I have made it perfectly clear already that I am not deciding the merits of this dispute on this application. Nevertheless, given the fact that Arc'teryx is the only party which has actually secured an international class 35 registration for their trademark in association with retail store services, they are entitled to expect the benefits of the resulting statutory exclusivity and protection, and this is a factor that very strongly militates in favour of the injunction in this case.

[67] I recognize that each of adidas and Arc'teryx are entitled to use their respective trademarks on the actual clothing and equipment that they sell in their respective stores and that, indeed, such trade-marked products can actually be purchased in the same retail store in various places. It may seem silly to some that the same trademarks cannot be safely used as a store banner without risk of

infringement, but that is the arcane way in which trademark law is structured. Arc'teryx is entitled to demand that its trademark rights, and all associated intangible but valuable goodwill, be protected on at least interlocutory basis. Time will presumably tell whether David will defeat Goliath at trial.

[68] adidas Canada says in its affidavits and submissions that it “may” be forced to close its store on W. 4th Ave. and to dismiss all of its employees at that store, in the event an injunction is granted in this case. It says it is attempting to establish a new line of stores for this type of outdoor apparel/equipment using its trademarks without the accompanying name ADIDAS. Whether the store will close remains to be seen, but it does seem at first instance that any such reaction would be excessive while their application for a class 35 trademark remains pending and some relatively minor modifications in the interim might allow the store to continue to operate.

[69] Suffice it to say I am not persuaded by the “threat” of the store closing, if that is indeed what the submission was meant to be.

[70] In my opinion, the balance of convenience and particularly the public interest in protecting registered trademarks favour the granting of an interlocutory injunction in this case.

Order Granted

[71] While I am prepared to issue the interlocutory injunction requested by Arc'teryx, I do not agree to the “reach” they request. These types of injunctions are an extraordinary remedy and must be framed as narrowly as possible.

[72] I see no sensible reason for issuing any injunction directed to anything other than the retail store on W. 4th Ave. in Vancouver. adidas Canada advised the Court during the hearing that it has no intention of opening any more stores with the same banner pending trial until the conclusion of these proceedings.

[73] Furthermore, I am not persuaded that any injunction is necessary with respect to the defendant’s online retail store services. The only information in front of me

during this hearing is that these services are provided on the adidas website. In other words, the customer has to access the adidas website in order to navigate to any TERREX product. In these circumstances, the notion of confusion between the adidas and the Arc'teryx online stores seems highly unlikely.

[74] As well, this is only an interlocutory injunction and is premised upon the parties actually proceeding to trial. It is not meant to be an excuse for the plaintiff to cease the pursuit of its lawsuit so that the interlocutory injunction might effectively become a permanent injunction. The Court inquired of counsel at the resumption of the hearing following the four-month delay and was informed that no further exchange of documents had occurred, no examinations for discovery had occurred, and no trial date had been secured. That situation must be remedied.

[75] And lastly, it is not sufficient for Arc'teryx to make the necessary damages undertaking by way simply of a single sentence in a witness's affidavit. A more formal document must be executed and filed with the court.

[76] Accordingly, for the reasons stated above, the Court grants the plaintiff an interlocutory injunction restraining the defendant from using the name TERREX as the name of its retail store located at 2235 W. – 4th Ave., Vancouver, BC, pending the trial of this proceeding and on the following terms and conditions:

- 1- the parties must immediately secure a trial date for the trial of this case.
- 2- The injunction will expire if and when the pending adidas application for a trade mark registration in international class 35 for TERREX in association with retail store services is granted.
- 3- The plaintiff must also immediately file in this action a formal undertaking, properly executed by its Chief Executive Officer, in the usual form and pursuant to which the plaintiff undertakes to pay any damages that this Court may order to be paid to the defendant as a result of the injunction granted.

[77] Costs of this application shall be in the cause.

“Kent J.”