

Federal Court of Appeal



Cour d'appel fédérale

Date: 20150423

Docket: A-113-15

Citation: 2015 FCA 104

**CORAM: NOËL C.J.
GAUTHIER J.A.
WEBB J.A.**

BETWEEN:

JAMIESON LABORATORIES LTD.

Appellant

and

**RECKITT BENCKISER LLC AND RECKITT
BENCKISER (CANADA) LIMITED**

Respondents

Heard at Ottawa, Ontario, on April 15, 2015.

Judgment delivered at Ottawa, Ontario, on April 23, 2015.

REASONS FOR JUDGMENT BY:

NOËL C.J.

CONCURRED IN BY:

GAUTHIER J.A.
WEBB J.A.

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REASONS FOR JUDGMENT

NOËL C.J.

[1] This is an appeal from a decision (2015 FC 215) of Brown J. of the Federal Court (the Federal Court judge), wherein he granted an interlocutory injunction against Jamieson Laboratories Ltd. (Jamieson) pending disposition of the action brought by Reckitt Benckiser LLC and Reckitt Benckiser (Canada) Limited (collectively Reckitt) to enforce their “MEGARED” trade-mark. The injunction prohibits Jamieson from using the word

“OMEGARED” and mandates, on a forthwith basis, the recall of products and other materials that would offend the terms of the prohibition.

[2] For the reasons that follow, I would uphold the Federal Court judge’s order subject to allowing a 30-day period in order to allow Jamieson to comply.

BACKGROUND

[3] Reckitt Benckiser LLC is the owner of Canadian Trade-mark Registration No. TMA 793,186 (the Mark), covering use of the word MEGARED in association with, among other things, supplements containing omega-3 fatty acids. Reckitt Benckiser (Canada) Limited is the licensee and sole Canadian distributor of MEGARED products. The MEGARED line of products is made exclusively from krill oil, which has a red colour and contains omega-3 fatty acids.

[4] Jamieson currently markets a line of omega-3 fatty acid products in Canada under the brand “Omega RED”. Though most of the products in this line are krill oil-based, one of the products is fish oil-based. Prior to a rebranding effort undertaken in January 2013, a version of this line of products that included only krill oil had been marketed under the unregistered trademark “Super Krill”.

[5] The Mark was first registered in Canada in March 2011, back when it was owned by Schiff Nutrition International Inc. (Schiff). Though Schiff had experienced much success with

the Mark and its associated line of omega-3 products in the United States, it had yet to launch its products in Canadian stores at that point.

[6] In Fall 2012, having decided to enter the North American market, Reckitt engaged both Schiff and Jamieson in acquisition talks. In December 2012, Reckitt acquired Schiff and terminated discussions with Jamieson.

[7] The next month, in January, 2013, Jamieson decided to undertake the rebranding described in paragraph 4. A particular fish oil-based product, also red in hue due to its salmon content, was to be added to the existing line of krill oil-based products that had until then been sold under the “Super Krill” brand. This new set of products was to be marketed under the new brand name “Omega RED”. In February, 2013, Jamieson filed a trade-mark application in Canada for the similar, though not identical “OmegaRed”, based upon proposed use in association with “vitamins, minerals, nutritional supplements and dietary supplements”. In June, 2013, Jamieson commenced the launch of its new “Omega RED” brand name in Canadian stores.

[8] This launch prompted two warning letters from Reckitt, which had not yet launched its own MEGARED brand in Canadian stores, having decided to delay its launch until December 2013/January 2014.

[9] Jamieson continued to market its “Omega RED” product line, and, in response, Reckitt filed an action on October 16, 2014 claiming trade-mark infringement and passing off. On

November 28, 2014, Reckitt filed a notice of motion for an interlocutory injunction, which motion the Federal Court judge allowed on February 20, 2015.

[10] Jamieson brought an appeal against the interlocutory injunction on February 27, 2015, and moved on March 2, 2015, for a stay pending the disposition of the appeal. The stay was granted on March 12, 2015 (2015 FCA 71), on condition that the appeal would be heard on an accelerated basis.

DECISION OF THE FEDERAL COURT

[11] In deciding whether to grant the interlocutory injunction sought by Reckitt, the Federal Court judge applied the tripartite test from *RJR-McDonald v. Canada (Attorney General)*, [1994] 1 S.C.R. 311 [*RJR-McDonald*]. Under this conjunctive test, the moving party must demonstrate that there is a serious issue to be tried, that irreparable harm will result to the moving party if the relief is not granted and that the balance of convenience favours the moving party.

[12] With respect to the first element, the Federal Court judge concluded that there was a “very serious issue” to be tried. Having noted the exclusivity afforded under the *Trade-marks Act*, R.S.C, 1985, c. T-13 [the Act], the Federal Court judge went on to conclude that Jamieson had undertaken its rebranding effort with the dominant purpose of frustrating Reckitt’s entry into the Canadian market (reasons at paras. 34 and 45). He further held that a serious issue arose as to infringement and passing off after finding it to be likely that Jamieson had deliberately engaged in both (reasons at paras. 47 to 50).

[13] With respect to the second element of the *RJR-McDonald* test, the Federal Court judge found several forms of irreparable harm. First, he concluded that, in the absence of an injunction, Reckitt's damages in the event of success in the underlying action would be impossible to calculate, given that Reckitt would never have had the chance to operate its business in the absence of Jamieson's infringing behavior (reasons at para. 54). Second, he concluded that Reckitt would lose goodwill due to a loss of the distinctiveness of the Mark (reasons at para. 55). Third, he found that customers could develop quality concerns, as Jamieson's fish oil-based products could be confused as members of the MEGARED line, marketed by Reckitt as containing exclusively krill oil-based products (reasons at para. 58).

[14] With respect to the third element of the *RJR-McDonald* test, the Federal Court judge found that the balance of convenience favoured Reckitt. In addition to his findings at the serious issue and irreparable harm stages of the analysis, the Federal Court judge relied on his conclusion that Jamieson had proceeded with its rebranding activity "eyes wide open" to the possibility of legal action by Reckitt (reasons at paras. 63 and 64). The Federal Court judge rejected the argument that rebranding to "Super Krill" would cause Jamieson irreparable harm (reasons at para. 67). He also rejected Jamieson's argument that Reckitt was guilty of delay or laches, holding that Reckitt's market entry had been delayed due to valid concerns relating both to its business environment and legal risks (reasons at para. 65). Ultimately, in the Federal Court judge's view, Jamieson was "a likely trade-mark infringer marketing a likely confusing product" (reasons at para. 67).

POSITION OF THE PARTIES

[15] Before this Court, Jamieson argues that the Federal Court judge erred at every step of his application of the *RJR-McDonald* test and that his decision must be set aside.

[16] With respect to whether Reckitt raised a serious issue to be tried, Jamieson argues that the Federal Court judge committed four errors of law. First, he erred in assessing Reckitt's trademark infringement claim under section 19 of the Act. Because the marks at issue were not identical, the appropriate provisions were section 20 and subsection 6(5) (Jamieson's memorandum at paras. 51 and 52). Among other consequences, this error resulted in a failure to consider the Mark's inherent distinctiveness and the extent to which it had become known (Jamieson's memorandum at paras. 54 and 55). Second, he considered Jamieson's motive in assessing the infringement issue, even though *mens rea* plays no role in this question (Jamieson's memorandum at para. 77). Third, he went too far into the merits in his assessment of the infringement issue, allowing his conclusions to determine the result of his assessment on the other branches of the *RJR-McDonald* test (Jamieson's memorandum at para. 10). Fourth, he failed to assess Reckitt's passing off claim to any extent at all (Jamieson's memorandum at para. 64).

[17] With respect to the question whether Reckitt would suffer irreparable harm without the relief requested, Jamieson argues that the Federal Court judge was bound by *Centre Ice Ltd. v. National Hockey League et al* (1994), 53 C.P.R. (3d) 34 (FCA) [*Centre Ice*] and that, had he applied that authority, Reckitt's failure to produce evidence of, for instance, price reductions or

lost sales, would have been fatal to its claim (Jamieson's memorandum at paras. 83 and 88).

Absent the clear and specific evidence required under *Centre Ice*, the Federal Court judge was in no position to conclude that the damages cited by Reckitt were truly irreparable (Jamieson's memorandum at paras. 88, 90 and 91).

[18] With respect to the Federal Court judge's analysis of the balance of convenience, Jamieson argues that he disregarded its evidence of harm on the basis of his findings on the merits (Jamieson's memorandum at paras. 97 and 98). Jamieson also argues that the Federal Court judge failed to account for the implications of the mandatory nature of the injunction he issued (Jamieson's memorandum at para. 102). Finally, Jamieson argues that the Federal Court judge erred in failing to assess Reckitt's delay in asserting its rights, and that this factor should have led the Federal Court judge to deny the remedy claimed, given its equitable nature (Jamieson's memorandum at para. 103).

[19] For its part, Reckitt argues that Jamieson's appeal is premised on a strained reading of the Federal Court judge's reasons. If the Federal Court judge went beyond what was required under the *RJR-McDonald* test, argues Reckitt, it was only because Jamieson so fiercely contested before him whether a serious issue had been made out (Reckitt's memorandum at para. 57).

[20] Otherwise, Reckitt supports the decision of the Federal Court judge relying essentially on the reasons that he gave. Ultimately, the decision was a discretionary one, and Jamieson has provided no basis to overturn it.

ANALYSIS

[21] The decision by a Federal Court judge whether to grant an interlocutory injunction is a discretionary one. As this Court has recently held, such decisions ought to be reviewed within the general appellate framework set out in *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235 [*Housen*] (*Imperial Manufacturing Group Inc. and Home Depot of Canada Inc. v. Decor Grates Incorporated*, 2015 FCA 100 at paras. 18 and 19). As a decision on a question of mixed fact and law, the Federal Court judge's decision can only be set aside, absent an error on an extricable question of law, if he committed a palpable and overriding error (*Housen* at para. 36).

[22] The Federal Court judge correctly identified the tripartite test from *RJR-McDonald* as the one governing the dispute before him. Neither party disputes this authority. The issue is whether the test was properly applied.

[23] The threshold the moving party must meet in establishing a serious issue is a low one. Unless it can be shown that the moving party's arguments are either frivolous or vexatious, a serious issue will be made out (*RJR-McDonald* at para. 55).

[24] Jamieson does not argue before this Court that Reckitt's motion is frivolous or vexatious. Nor does it argue that the Federal Court judge erred in finding otherwise. Rather, it argues that the Federal Court judge delved too far into the merits of the underlying action, that his analysis on the merits was flawed and that his determinations on these points controlled his analysis of the other two branches of the *RJR-McDonald* test.

[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).

[26] That said, I am satisfied that the Federal Court judge's reasons, in their substance if not their explicit form, provide a sufficient basis for concluding that Reckitt has made out a serious issue of potential trade-mark infringement (reasons at paras. 29 and 50). I need not consider the Federal Court judge's additional comments on the question of passing off as the demonstration of a single serious issue suffices to meet this part of the test (*Canada (Attorney General) v. Simon*, 2012 FCA 312 at para. 34).

[27] If, as Jamieson argues, the Federal Court judge permitted his extensive analysis of the merits to predetermine or taint his consideration of the questions of irreparable harm or balance of convenience, it is at these later stages of the analysis that this argument must be addressed.

[28] Turning to irreparable harm, I do not believe that the Federal Court judge erred in determining that such harm would befall Reckitt in the absence of the relief requested. I need

only observe that Reckitt's contention that its potential harm would be impossible to quantify has not been undermined by Jamieson's submissions.

[29] Jamieson's reliance on *Centre Ice* is misplaced given the facts of this case, wherein the party seeking to enforce its trade-mark entered the market in question after the alleged infringer. It of course makes no practical sense to require a plaintiff to demonstrate such damages as lost sales or price reductions when the only market environment in which the plaintiff has ever operated has been one in which the alleged infringer has operated as well.

[30] Jamieson's only argument in respect of this point of distinction is that any difficulty in comparing Reckitt's sales from before and after Jamieson's use of the Mark could have been avoided had Reckitt sued earlier. This discloses no reversible error. Although I accept that a delay in proceeding may operate against the moving party, this involves an exercise of discretion which was open to the Federal Court judge on the facts before him.

[31] With respect to Jamieson's argument that the Federal Court judge erred in relying on jurisprudence from the *quia timet* setting, his reasons disclose that he did so only to illustrate and affirm the general principle that, where there is no possibility of quantifying a party's losses, those losses can be considered irreparable (reasons at para. 53). In this respect, Jamieson has not demonstrated that the Federal Court judge erred in determining that Reckitt's losses would be incalculable, and therefore irreparable, should it succeed in the underlying action.

[32] Finally, it has not been shown that the Federal Court judge erred in determining that the balance of convenience favours Reckitt.

[33] Central to Jamieson's submissions on this point is the assertion that the Federal Court judge disregarded its evidence of harm and failed to undertake the required risk-balancing exercise (Jamieson's memorandum at paras. 95 and 96). Jamieson attributes this oversight to the Federal Court judge's erroneous insistence that Jamieson was a "likely trade-mark infringer" and that it had proceeded with its "eyes wide open" to the possibility of Reckitt's taking legal action (*Ibidem* at para. 95).

[34] This submission does not confront the Federal Court judge's conclusion that Jamieson failed to demonstrate that the harm that it would suffer, if the injunction sought was issued, would be irreparable (reasons at para. 67). Specifically, he did not accept Jamieson's assertion that it would be impossible to revert to marketing its "Super Krill" brand.

[35] As was found by the Federal Court judge, the potential harm resulting from reverting to "Super Krill" is compensable by way of damages. Given that Reckitt has made an undertaking to cover such damages and that this undertaking remains unchallenged, Jamieson is assured of being made whole if successful on the merits.

[36] Finally, I accept that not all the potential harm pled by Jamieson is associated with reverting to the "Super Krill" brand. Specifically, Jamieson also argued that the potential harm resulting from consumers' health concerns and from reputational loss vis-à-vis Jamieson's retail

partners arose from a different concern, being the “forthwith” nature of the injunction sought. As outlined in the prior decision granting the stay, I accept that reputational damages of an irreparable nature could result from a precipitated removal of the products in question. This, however, goes to the terms of implementation of the order, rather than its issuance. The Federal Court judge focused his attention on the latter as did the parties before him. However, I am satisfied that had he been pressed to address this discrete issue, he would have provided for a period of implementation.

[37] For the foregoing reasons, I would dismiss the appeal, subject to varying the terms of the order so as to remove the word “forthwith” from paragraph 2 and substitute the words “within 30 days from the date of the order as varied on appeal”. Reckitt shall be entitled to its costs.

“Marc Noël”

Chief Justice

“I agree

Johanne Gauthier J.A.”

“I agree

Wyman W. Webb J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-113-15

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CONCURRED IN BY: GAUTHIER J.A.
WEBB J.A.

DATED: APRIL 23, 2015

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JUDGMENT

The appeal is dismissed with costs and the order issued by the Federal Court judge is varied by removing the word “forthwith” from paragraph 2 thereof and inserting in its place the words “within 30 days from the date of the order as varied on appeal”.

“Marc Noël”
Chief Justice