

Federal Court



Cour fédérale

Date: 20230314

Docket: T-386-21

Citation: 2023 FC 345

Ottawa, Ontario, March 14, 2023

PRESENT: Mr. Justice Pentney

BETWEEN:

2572495 ONTARIO INC.

Plaintiff

and

VACUUM SPECIALISTS (1985) LTD., SAM AKL AND MOE HAMADIYA

Defendants

ORDER AND REASONS

I. Introduction

[1] The Plaintiff, 2572495 Ontario Inc., carrying on business as Vacuum Parts Canada (VPC), seeks an interlocutory injunction to stop the Defendants from copying its photographs, or using its trademark “VPC” or its tradename “Vacuum Parts Canada.”

[2] Both VPC and the Defendants, Vacuum Specialists (1985) Ltd. and Mohammad Hamadiya (hereinafter “VS” or “the Defendant”) [VPC is not seeking an order against Sam Akl,

the other named Defendant] are in the business of selling parts for vacuum cleaners, including components used in conjunction with a central vacuum system in a residential home. They advertise and sell their products on Amazon.ca, an online marketplace that allows individuals to search for products and to purchase them without the need to visit an actual retail store.

[3] The Plaintiff claims that the Defendant is infringing its trademark by “linking” its products to the Plaintiff’s product pages on Amazon.ca, which amounts to falsely associating the VPC trademarks with the products sold by the Defendant. The Plaintiff also claims copyright infringement, because it says the Defendant has copied its advertisements, including photographs and product descriptions. VPC says the Defendant’s activities are undercutting its market and causing it irreparable harm. The Plaintiff therefore seeks an injunction to stop this infringing activity until the trial of its action occurs.

[4] For the reasons that follow, the Plaintiff’s motion will be dismissed.

II. Background

[5] Because this case may proceed to trial, the following summary will be brief. It is intended to provide sufficient context and background to set the stage for the analysis of the interlocutory injunction motion, without pronouncing on the merits of the underlying claim.

[6] VPC’s primary business is online sales of vacuum cleaner parts and accessories, including through Amazon.ca. The evidence shows that VPC sells parts individually and as pre-packaged sets. Someone wanting to replace some or all of the accessories for a central vacuum system in their house could purchase a single component from VPC, or they could purchase an accessory set that VPC assembled and sells as a package.

[7] Amazon has a number of features that it claims benefit both sellers and buyers, including a system by which products are ranked by sales volume. VPC says that its products are top-rated, including one that is listed as the top selling vacuum accessory set in Canada on Amazon.ca. VPC says that it offers a strong warranty on its products, and that it has achieved significant reputational and business success, in large part through its sales on Amazon.ca.

[8] VPC says that it complies with the rules set by Amazon.ca for sellers that use its platform. When a new product is offered for sale on its platform, Amazon assigns a unique product identifier, described as an Amazon Standard Identification Number (ASIN) associated with the new product. Other sellers can link their product to an existing ASIN if they are selling an identical product. It appears that Amazon's policy requires such linking, presumably to avoid needless duplication of listings of identical products on its platform.

[9] If the products are not identical, sellers are required to seek their own ASIN for their products.

[10] VPC says that in March 2019, VS began to post advertisements on Amazon purporting to offer the same products as VPC but at a lower price. After VPC's counsel sent demand letters to VS, it stopped this practice. However, as of February 2021, VPC says that it observed what it describes as a "concerted effort" by VS to target VPC products on Amazon, by linking to them and offering the products at a lower price. It says that while the total numbers vary from day to day, at the time of filing its materials in this proceeding, VS was linking to approximately 60 VPC product pages. VPC also claims that it appeared that VS had set its pricing structure automatically to undercut VPC's price for approximately 55 of those products and to match the price of the five others.

[11] VPC says that VS' actions are causing it to lose sales, and are likely to cause confusion in the marketplace because purchasers would not realize that, although they are looking at product pages showing VPC branded vacuum parts, the order will actually be filled by VS. VPC points out that when VS links to its product pages, the only difference is that a small text box appears in the "Order Box" part of the page (just under the yellow purchasing tabs -- "Add to Cart" and "Buy Now"), which indicates that the product will be shipped by VS. VPC says that customers will often not notice this detail, because they are focused on the pictures and text about the product they are buying.

[12] VPC says that these infringing activities are causing untold damage to its reputation because it has no control over the nature or quality of the products VS is selling, and it has received a complaint from a customer who mistakenly asked VPC to respond to issues regarding a product that was, in fact, sold by VS.

[13] The Defendant, VS, also sells vacuum parts and accessories on Amazon.ca and Bestbuy.ca, as well as from three storefront locations in and around Calgary, Alberta. It has been in business since the 1970s, and incorporated in 1985.

[14] VS does not dispute that it has linked to VPC product detail pages on Amazon, but it says that in doing so it was merely following Amazon's policy. It says that VPC also engages in product page linking on Amazon and Best Buy's online platforms. VS claims that both companies to this dispute are engaged in the highly competitive business of selling vacuum parts and accessories, and that VPC is trying to stifle competition by asserting its frail intellectual property rights.

[15] Regarding its linking activity, VS points to the Amazon Intellectual Property Policy, which expressly permits sellers to link to existing product pages: “other sellers can list their items for sale on pages to which you have added your copyrighted images, even if you no longer sell that product.”

[16] As for price matching, VS also points to Amazon’s policies and practices, which allow other sellers to offer products at a lower price, as long as they do not go below the supplier’s “minimum advertised price” or “MAP.” They point out that Amazon offers sellers the option to use a price matching function where all sellers connected to the same ASIN are alerted when another seller lowers the price on that product. This allows all sellers to decide whether to lower their price on that product in response.

[17] VS says that all of its activities comply with Amazon’s policies, and that VPC cannot complain because it agreed to abide by those same policies when it joined that platform.

[18] In addition, VS asserts that VPCs trademark and copyright claims are either invalid or weak. It is not necessary to review these arguments for the purposes of this decision regarding the interlocutory relief sought by VPC.

III. Issues

[19] The only issue at this stage is whether it is just and equitable to grant the interlocutory injunction sought by VPC against VS.

IV. Analysis

[20] The familiar three-part test for the grant of an interlocutory injunction was recently summarized by the Supreme Court of Canada in *R v Canadian Broadcasting Corp*, 2018 SCC 5 [CBC] at paragraph 12:

... 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.

[Footnotes omitted]

[21] The three elements of the test are cumulative, but strength in one factor may overcome weakness on another (see *Monsanto v Canada (Health)*, 2020 FC 1053 at para 50 [Monsanto]). It is important to remember that an interlocutory injunction is equitable relief, and a degree of flexibility must be preserved in order to ensure that the remedy can be effective when it is needed to prevent a risk of imminent harm pending a ruling on the merits of the dispute. This was reaffirmed in *Google Inc v Equustek Solutions Inc*, 2017 SCC 34 at paragraph 1, where the Supreme Court of Canada noted that, “[u]ltimately, the question is whether granting the injunction would be just and equitable in all the circumstances of the case.”

[22] As will become clear from the discussion that follows, I am not satisfied that it would be just and equitable to grant the relief requested by VPC, largely because it has failed to meet the first two branches of the test (serious issue and irreparable harm).

A. *Serious issue to be tried*

[23] In most interlocutory injunction cases, the “serious issue to be tried” threshold is not a high bar – it is often summarized as merely requiring the judge to make a preliminary assessment of the case to ensure that the claim is neither “vexatious nor frivolous” (*RJR – MacDonald Inc v Canada (Attorney General)*, 1994 CanLII 117 (SCC), [1994] 1 SCR 311 at p 337 [*RJR – MacDonald*]). There are exceptions, including where the interlocutory injunction would provide the same relief as sought at trial, such that granting it would “impose such hardship on one party as to remove any potential benefit from proceeding to trial” (*RJR – MacDonald* at p 338; *Monsanto* at paras 44 and 56).

[24] In *CBC*, the Supreme Court of Canada held that where a mandatory interlocutory injunction is sought, the appropriate inquiry is whether the requesting party has shown a strong *prima facie* case. It described a mandatory injunction in the following way at paragraph 15:

...A mandatory injunction directs the defendant to undertake a positive course of action, such as taking steps to restore the *status quo*, or to otherwise “put the situation back to what it should be”, which is often costly or burdensome for the defendant and which equity has long been reluctant to compel.” (citations omitted)

[25] The Supreme Court in *CBC* described what is meant by showing a “strong *prima facie* case” as follows, at paragraph 17:

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.

[26] The parties disagree on which test applies in this case. The Plaintiff submits that it is merely seeking to restore the status quo *ante*, before VS began its concerted effort to link to VPC’s product pages and to undercut its prices. It argues that it is seeking a narrowly crafted order, which would only prevent VS from continuing to link to its product pages; it does not seek to prevent VS from advertising its own products on Amazon using its own ASIN.

[27] On the other hand, VS asserts that VPC is seeking a mandatory interlocutory injunction because it is asking the Court to issue an order that would compel VS to do a positive act; namely, to actively de-list all of the product pages that are linked to VPC product pages with the identical ASIN.

[28] Although the matter is not entirely free from doubt, I am persuaded by the Defendant’s argument. I find the order VPC seeks here to be somewhat comparable to the one found to be in the nature of a mandatory injunction in *CBC*.

[29] In that case, the Crown sought an order requiring CBC to remove two articles about a criminal case that had been posted before a publication ban was granted. CBC argued that this was a mandatory interlocutory injunction because the order would require it to take active steps

to remove this material from its website. The Supreme Court agreed with that position: "...in this case, ceasing to transmit the victim's identifying information would require an employee of CBC to take the necessary action to remove that information from its website" (*CBC* at para 16).

[30] The Court emphasized that it was necessary to look past the formalities of the language in the requested order "in order to identify the substance of what is being sought and, in light of the particular circumstances of the matter, 'what the practical consequences of the ... injunction are likely to be'" (*CBC* at para 16).

[31] Applying this approach to the case before me, I find that the practical effect of the order VPC seeks would require VS to de-link all of its listings that connect to VPC product pages. The evidence shows that such links existed at the time the application was heard, and there is no evidence that they have been removed in the intervening period. Compliance with the order VPC seeks would clearly require VS to do something, rather than to refrain from doing something, and thus it is in the nature of a mandatory order: *CBC* at para 16.

[32] Turning to the evidence and argument on the first branch of the test, I am not persuaded - on the limited record before me - that VPC has demonstrated a strong *prima facie* case, meaning "a strong likelihood on the law and the evidence presented that, at trial, [VPC] will be ultimately successful in proving the allegations set out in [its claim]" (*CBC* at para 17, emphasis in original).

[33] Simply put, I find there are valid arguments on both sides of this. VPC is likely correct that customers ordering products from an Amazon page that displays vacuum parts packaged in boxes displaying the VPC label may not notice that the product they are ordering is actually

being shipped by VS. That may confuse them. There also appears to be some indication that VS has “cut and paste” product information from VPC product pages into its own, although as I understand it, VS claims this only occurred on a few occasions and was inadvertent.

[34] On the other side, VS is not wrong to point to the Amazon Policy on Intellectual Property, and to the other policies and practices that all sides agreed to when they signed on to sell their products through the Amazon platform.

[35] At this stage, I should underline that I am not making any final determination or pronouncement on the merits of either side’s claims, nor on the strength of the evidence they presented. That is for the trial judge, if the matter proceeds to trial. I am simply making findings at this preliminary stage of the matter, based on the evidence and the submissions of the parties.

[36] Based on these considerations, I am not satisfied that the Plaintiff has established a strong *prima facie* case, in accordance with the test for mandatory interlocutory injunctions set out in *CBC*.

B. *Irreparable Harm*

[37] The term irreparable harm refers to the nature of the harm rather than its scope or reach; it is generally described as a harm that cannot be adequately compensated in damages or cured (*RJR – MacDonald* at p 341). This harm cannot be based on mere speculation, it must be established through evidence at a convincing level of particularity: *Glooscap Heritage Society v Canada (National Revenue)*, 2012 FCA 255 at para 31; *Gateway City Church v Canada (National Revenue)*, 2013 FCA 126 at paras 15-16; *Newbould v Canada (Attorney General)*, 2017 FCA 106 at paras 28-29. In addition, the evidence must demonstrate a high likelihood that

the harm will occur, not that it is merely possible. This will obviously depend on the circumstances of each case: see the discussion in *Letnes v Canada (Attorney General)*, 2020 FC 636 at paras 49-58.

[38] VPC says that it will suffer irreparable harm if the interlocutory injunction is not granted, because the Defendant may not be in a position to quantify the sales it gained by virtue of its allegedly infringing activities, VPC's cost structure is being permanently undermined because of the price reductions by VS combined with Amazon's pricing policy that will prevent VPC from increasing its price if it is ultimately successful, and it is suffering reputational harm and its products are losing their distinctiveness in the marketplace. VPC also raises doubts about whether VS will be capable of paying any damage award after trial, because VS is selling products at a discounted price.

[39] I am not persuaded that VPC has demonstrated irreparable harm through evidence at a convincing level of particularity – as required by the Federal Court of Appeal.

[40] On the question of sales volume, while I acknowledge that the Defendant's evidence was somewhat vague on its ability to track sales associated with products that it linked to VPC's product pages, this was at a very preliminary stage of the litigation. The Defendant is a long-standing and apparently successful enterprise, operating both brick and mortar and virtual storefronts. It is reasonable to infer that it has internal accounting and tracking systems that can produce this evidence at trial. In addition, the evidence shows that Amazon operates a sophisticated online platform, and since the only sales in question are those that occur on the Amazon platform, information about such sales will likely be available.

[41] The evidence on the Amazon pricing structure and whether it would limit VPC from raising prices if it is eventually successful in this litigation is mixed. There are assertions on both sides about what the policies and practices are, but no clear or convincing evidence that Amazon could or would prevent VPC from raising its prices if it decided to do so after the outcome of the trial.

[42] The evidence about any reputational harm to VPC is also not persuasive. It appears that there have been some complaints from customers, including one from an unhappy customer who purchased one of the vacuum accessory products through VS and posted a negative review on the Amazon comments section, on a page linked to VPC. However, VS says that this comment was about the product, not the vendor.

[43] VS points to evidence showing that VPC has received very favourable customer ratings, and in fact, these may have increased during the period after VS began linking its products to the VPC product pages. VPC has no evidence showing any significant negative impact on its reputation as a result of VS' activities, despite the fears and concerns it has expressed – which I accept to be genuine, even if not proven in evidence.

[44] Finally, VPC expressed a concern that because VS was reducing its prices, there was a legitimate concern about whether it would be able to pay any damage award granted after trial. It points to the decision in *Arysta Lifescience North America, LLC v Agracity Crop & Nutrition Ltd.*, 2019 FC 530 [*Arysta Lifescience*].

[45] I am not persuaded. First, VS has been in operation for many years, through both brick and mortar retail stores and its online storefronts. VPC expressed a concern about the impact of

the price reductions on the Defendant's bottom line, but produced no evidence to substantiate that concern. In light of the evidence its corporate history and evidence that VS is financially viable, there is no basis to draw a negative inference from the fact that VS is choosing to sell some of its products at lower prices than VPC set for its products.

[46] I also do not find the decision in *Arysta Lifescience* to be applicable here. In that case there was a gap in the evidence that gave rise to questions about whether the company subject to the order was a substantial ongoing concern (see paragraphs 47-52). No such concern arises here.

[47] For all of these reasons, I am not satisfied that VPC has demonstrated that it is experiencing reputational harm that would justify interlocutory relief. If it can establish harm to its reputation or the value of its brand in the marketplace at trial, VPC can seek compensation for that harm at trial.

C. *Balance of Convenience*

[48] 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" (*CBC* at para 12). The expression often used is "balance of inconvenience" (*RJR – MacDonald* at p 342). The factors that must be considered in assessing this element of the test are numerous and will vary with the circumstances of each case; it is at this stage that any public interest considerations may come into play (*RJR – MacDonald* at pp 342-343).

[49] In light of my findings on the first two elements of the test, and in the absence of evidence of some other over-arching factor that would be sufficient to tip the balance in favour of VPC, I find that the balance of convenience favours VS in this case.

V. Conclusion

[50] For the reasons set out above, I am unable to find that it is just and equitable to grant the interlocutory injunction that VPC seeks, considering all of the circumstances of the case. At first blush, it appears that there are worthy arguments on both sides of the case on the merits, which can be dealt with at trial. Furthermore, VPC has not established, with evidence at a convincing level of particularity, that it will suffer irreparable harm if the order is not granted.

[51] The Plaintiff's motion for an interlocutory injunction is therefore dismissed.

[52] This leaves the question of costs. The Plaintiffs submitted that costs should not be awarded on the motion, but rather should be left to the trial judge. The Defendant disagrees, arguing that it is normal for costs to be awarded on interlocutory injunction matters. The parties were given time to discuss a possible joint submission on appropriate costs, but they were unable to agree.

[53] In the circumstances, and in accordance with Rule 401(1), I find it is appropriate to make an award of costs, and there is no reason to depart from the usual practice that costs follow the outcome. Therefore, the Plaintiff shall pay to the Defendant costs, to be calculated at the mid-point of Column III in the Tariff, in accordance with Rule 407. If the parties cannot agree on an amount, they may file brief submissions of not more than three (3) pages, excluding a draft bill of costs, explaining their respective positions, within ten (10) days of this Order.

ORDER in T-386-21

THIS COURT’S ORDER is that:

1. The Plaintiff’s motion for an interlocutory injunction is dismissed.
2. The Plaintiff shall pay costs to the Defendant, calculated in accordance with the mid-point of Column III of the Tariff. If the parties cannot agree on the amount, they may file submissions of not more than three (3) pages, excluding a draft bill of costs, within ten (10) days of this Order.

“William F. Pentney”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-386-21

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**JUDGMENT AND
REASONS:** PENTNEY J.

DATED: MARCH 14, 2023

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