

Federal Court



Cour fédérale

Date: 20110623

Docket: T-1902-10

Citation: 2011 FC 758

Ottawa, Ontario, June 23, 2011

PRESENT: The Honourable Mr. Justice Mandamin

BETWEEN:

**TARGET BRANDS, INC. AND
TARGET CORPORATION**

Plaintiffs

and

**FAIRWEATHER LTD., INTERNATIONAL
CLOTHIERS INC. AND LES AILES DE LA
MODE INCORPOREES**

Defendants

REASONS FOR ORDER AND ORDER

[1] The Plaintiffs apply for an interlocutory injunction to restrain the Defendants, pending final disposition of this action, from operating a retail store in association with a trade-mark or trade name comprising TARGET or a bull's-eye design, and from displaying, advertising or using the

word TARGET or a bull's-eye design to direct public attention to the Defendants' business as to cause confusion between the Defendants' business and the Plaintiffs' business.

[2] The Plaintiffs (Target) are a large chain of retail department stores operating in the United States (US) selling a wide range of merchandise. Target Corporation uses trade-marks owned by Target Brands, Inc. which include TARGET and the red bulls-eye design. TARGET and the red bull's-eye design were first used by their predecessor in association with their store located in Minnesota in 1962. Target is in the process of entering the Canadian marketplace, having announced its intention to open Target stores in Canada in 2013.

[3] The Defendants (referring to themselves as INC) are related companies that sell private label clothing and accessories to mid-to-low income customers. They are comprised of Fairweather, which sells female apparel and accessories, International Clothiers, which sells men's apparel and accessories, and Les Ailes de la Mode, which only operates in Quebec. INC acquired the registered trade-mark TARGET APPAREL when it purchased the assets of Dylex Limited. INC has opened a chain of clothing apparel stores under the Target Apparel name.

[4] Target commenced an action against INC seeking damages as well as a permanent injunction from using the trade name TARGET or the bull's-eye mark. INC counterclaimed against Target for infringement of its registered trade-mark TARGET APPAREL. The trial of these matters is scheduled to be heard in 2012.

[5] For reasons that follow I am dismissing Target's application for an interlocutory injunction against INC.

Facts

Target

[6] Target does business in the United States of America. This is its first expansion outside of the US. It is a very large retail store chain operating 1,740 stores in 49 states. Its total yearly sales revenue exceeds \$65 billion in US dollars. Target stores average about 133,300 square feet of retail space and sell a wide range of general merchandise as well as providing a number of services. Target claims its stores have a reputation for consistent appearance and layout, store cleanliness, helpful employees, product collaboration, innovation, product exclusivity and certain higher-end products.

[7] Target is known by its US trade name TARGET which is accompanied by a red bull's-eye logo mark. Target uses the trade name TARGET and the bull's-eye logo in conjunction with each other as well as separately. Target heavily invests in advertising to keep the TARGET name and logo mark in the minds of customers to differentiate its brand from its competitors.

[8] Currently, Target does not have any stores located in Canada and will not ship purchases to Canada, although it issues credit cards to Canadians shopping in their US stores. Target maintains that its trade-mark has been well known in Canada since at least the 1990s due to Canadians visiting to the US stores and due to advertising that crosses the US/Canada border.

[9] On January 13, 2011, Target announced that it has entered into an agreement to purchase the leasehold interests in up to 220 sites in Canada owned by Zellers Inc. Target plans to open 100 to 150 Target stores in Canada in 2013 and 2014.

TARGET APPAREL Trade-mark

[10] Dylex Limited (Dylex) filed for a trade-mark, TARGET APPAREL, in relation to wares, specifically “men’s clothing, namely suits, pants, jackets and coats” on October 27, 1980. This trade-mark was registered on July 31, 1981 and renewed by Dylex on July 31, 1996. In August 2001, Dylex encountered financial difficulty, was placed into receivership and subsequently became bankrupt.

INC

[11] In 2001, INC purchased the Dylex’s Fairweather-related assets which included 70 stores and the registered trade-mark, TARGET APPAREL. The change in title was registered on April 4, 2002. In 2003, INC opened a Target Apparel discount clothing store on Orfus Road in Toronto. This store regularly advertised clothing sales in Toronto newspapers. The store operated from that location from 2003 to 2011, when it relocated immediately across the street.

[12] INC claims it planned for a new clothing store platform in larger stores catering to families in order to compete with an increase in US and European clothing retailers entering Canada. To this end, in November 2007, INC commenced discussions to acquire the DESIGNER DEPOT clothing store chain from The Bay. These stores were acquired to be used for Target Apparel stores.

[13] After delays due to obtaining landlord and civic approvals, refixturing, ordering, manufacturing and installing signage, a chain of Target Apparel stores were rolled out as a new market niche of family discount clothing stores in Nova Scotia in September 2009, in British Columbia in August 2010, and in 12 other locations thereafter. The signage for many of the stores uses the word 'Target' in larger letters than the accompanying word 'Apparel' with red as a predominant colour. A red Canadian maple leaf inscribed within a circle accompanies the words Target Apparel.

Litigation

[14] In 2002 Target's counsel initiated proceedings under section 45 of the *Trade-Marks Act* to cancel INC's trade-mark registration for TARGET APPAREL. The Registrar of Trade-marks issued a notice on April 2002 requiring INC to show use of the trade-mark registration in Canada. INC filed an affidavit on its use of the trade-mark in response to the section 45 notice. However, the Registrar of Trade-marks held that the evidence was insufficient to show use. INC appealed the Registrar's decision and the Federal Court reversed that decision on October 19, 2006. Target's counsel appealed to the Federal Court of Appeal which affirmed the Federal Court decision on November 26, 2007.

[15] Target claims they only became aware of INC's use of Target Apparel as a store name in June 2010. Its counsel sent a letter to INC objecting to the use of the TARGET trade name on August 3, 2010.

[16] Through its counsel, Target commenced a new section 45 proceeding to cancel the trade-mark registration TARGET APPAREL. The Registrar of Trade-marks has issued another notice to INC under section 45 of the *Trade-marks Act* on July 30, 2010. This proceeding is currently underway.

[17] Target filed its statement of claim on November 17, 2010 seeking damages and a permanent injunction against INC's use of the TARGET trade mark. Target concurrently brought this motion for an interlocutory injunction against INC. INC filed its statement of defence and counterclaim on January 17, 2011 which it amended on March 9, 2011. Target filed an amended statement of claim on February 16, 2011 and, on March 16, 2011, its reply and defence to the INC defence and counterclaim. The trial of this matter is scheduled for November 2012.

Relevant Legislation

[18] *Trade-marks Act* R.S.C., 1985, c. T-13 (*Trade-marks Act*):

7. No person shall

b) direct public attention to his wares, 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 wares, services or business and the wares, services or business of another;

7. Nul ne peut :

b) appeler l'attention du public sur ses marchandises, 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 marchandises, ses services ou son entreprise et ceux d'un autre;

Issues

[19] The issue to be decided on this motion is whether Target should be granted the interlocutory injunction against INC that they seek.

The Law

[20] The test for applications for interlocutory injunctions originated in the House of Lords decision in *American Cyanamid Co v Ethicon Ltd*, [1975] AC 396 (*American Cyanamid*). It was adopted by the Supreme Court of Canada in *RJR-MacDonald Inc v Canada (Attorney General)*, [1994] 1 SCR 311 (*RJR-MacDonald*). This test involves the following questions:

1. Is there a serious question to be tried?
2. Would the applicant suffer irreparable harm if the injunction is refused? And
3. In whose favour does the balance of convenience lie?

[21] The test is conjunctive and the applicant must succeed on all questions. These factors relate to each other and are not separate distinct categories: *Turbo Resources Ltd v Petro Canada Inc*, [1989] 2 FC 451, 24 CPR (3d) 1 (FCA) at 20 (*Turbo Resources*).

[22] In assessing whether there is a serious issue to be tried only a preliminary assessment is made of the merits of the claim. The threshold for a serious issue is a low one, essentially requiring the claim not be frivolous or vexatious: *RJR-MacDonald* at para 44. A motion judge should only go beyond a preliminary investigation if an interlocutory injunction would effect a final determination of the claim or when the constitutionality of a challenged legislation can be decided on a pure question of law: *Turbo Resources* at 21; *RJR-Macdonald* at para 55.

[23] Irreparable harm is harm that cannot be compensated by way of an award of damages or otherwise cured. ‘Irreparable’ refers to the nature of harm incurred rather than its magnitude. It is necessary there be clear evidence to support a finding of irreparable harm: *Centre Ice Ltd v National Hockey League*, [1993] 71 F.T.R. 5, 53 C.P.R. (3d) 34 at para 45. Irreparable harm may include an instance where the successful party cannot recover damages from the other party: *RJR-MacDonald* at para 59. The irreparable harm component of the injunctive tripartite test was described in the Supreme Court of Canada decision in *RJR-MacDonald* at paras 58 and 59, as follows:

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.

“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.)).

[24] The Federal Court of Appeal described the requirements that must be met to establish irreparable harm. In *Haché v Canada*, 2006 FCA 424 at para 11, the Court stated,:

The moving parties must demonstrate, on a balance of probabilities, that the harm that they would suffer is irreparable: *Halford v. Seed Hawk Inc.*, 2006 FCA 167 at paragraph 12. Mere assertions do not suffice. Irreparable harm cannot be inferred. It must be established by clear and compelling evidence: *A. Lassonde Inc. v. Island Oasis Canada Inc.*, [2001] 2 F.C. 568 at paragraph 20.

[25] The third question to be considered, the balance of convenience, was described as “a determination of which of the two parties will suffer the greater harm from the granting or refusal of an interlocutory injunction, pending decision of the merits”: *RJR-MacDonald* at para 62. Preserving the status quo may be a consideration where everything else is equal; however, it is of limited value in private law cases: *RJR-MacDonald* at para 75.

[26] This interlocutory injunction application engages consideration of the factors to be established in a passing-off action. Section 7 (b) of the *Trade-marks Act* provides that no person shall direct attention to his business in such away to cause or likely to cause confusion with another’s business. According to *Kirkbi AG v Ritvik Holdings Inc.*, 2005 SCC 65 at paras 66-69 (*Kirkbi AG*), the three necessary components of passing off are:

- (a) goodwill
- (b) deception of the public due to a misrepresentation (i.e. confusion)
- (c) actual or potential damage to the plaintiff

These questions of goodwill, confusion, and harm underlie and permeate the issues arising in this application for an interlocutory injunction.

Analysis

Serious Issue

[27] Target is in the process of setting up TARGET stores in Canada. It has long operated under its trade name TARGET and its iconic logo, a red bull's-eye. It is a major retail store chain which is known to many Canadians who shop in the US. On the other hand, INC has launched a Canadian niche market chain of discount clothing stores under the name Target Apparel. INC holds the registered trade-mark TARGET APPAREL for men's clothing wares.

[28] Although they do not agree on either the reliability or the significance of the survey data by the other party, both Target and INC agree the surveys indicate some degree of confusion presently exists in the minds of Canadian shoppers who were surveyed about TARGET and Target Apparel stores.

[29] Target is concerned that INC is passing off its Target Apparel venture on Target's name and that its reputation and brand promise will be harmed. Although it has not commenced sales in Canada, Target has led evidence by its experts who opine that the TARGET brand will be harmed.

[30] Passing off can be claimed by a plaintiff which only does business in the US and not in Canada where it has a reputation in Canada and the public associates it with the services provided by the defendant: *Orkin Exterminating Co Inc v Pestco Co of Canada Ltd et al* (1985), 50 OR (2d) 726, 5 CPR (3d) 433 (CA) (*Orkin*). While Target has yet to commence retailing in Canada, there is evidence that supports it having a reputation in Canada for its wares, if not for its services.

[31] On the other hand, INC has led evidence that its Target Apparel stores are part of its plans developed for positioning itself in a market niche to cope with international competitors. It disputes

Target's survey and expert evidence about the degree of confusion among consumers or harm to the TARGET brand.

[32] INC submits that the exception in *NWL Ltd v Woods*, [1979] 1 WLR 1294 (*Woods*) applies to the present matter. The *Woods* exception was summarized by the Supreme Court of Canada in *RJR-MacDonald* at para 51 as an exception to the general rule that a judge should not engage in an extensive review of the merits, the exception being "when the result of interlocutory motion will in effect amount to a final determination of the action."

[33] INC submits the granting of an interlocutory injunction would effectively give Target judgment without a trial: if the injunction is granted and INC is required to change its Target Apparel sign, it will never go back to using the Target Apparel store name, due to the difficulties of store signage changes. As such, INC argues that the *Woods* exception applies and Target should be required to make out a strong *prima facie* case.

[34] I do not agree with INC's submission that granting the interlocutory injunction would have the practical effect of putting an end to the action. The difficulties of restoring the Target Apparel store name after the granting of an interlocutory injunction does not amount to a final determination of the issues at trial. As such, the general rule applies and Target does not have to make out a strong *prima facie* case; instead, it must meet the lower threshold by demonstrating a serious issue.

[35] Without going into the evidence concerning the issue of passing off in any more than in a preliminary way, I think there is little doubt that the low threshold for demonstrating a serious issue has been met by the evidence in this case, which involves two sizeable business entities with similar

business trade names where both sell a similar product, clothing. I am satisfied Target's evidence is sufficient to raise an issue whether INC's Target Apparel's store launch would deceive customers into thinking the stores are affiliated with Target and would harm Target's reputation. In coming to this conclusion, I need not decide if the evidence favours one party or the other, only that it supports finding a non-frivolous issue.

Irreparable Harm

[36] As outlined by the Supreme Court in *Kirkbi AG*, the three necessary components for passing off are the existence of goodwill, confusion, and actual or potential damage to the plaintiff.

Goodwill

[37] Target submits TARGET stores are well known in Canada because of its extensive advertising and because many Canadians shop in the United States. Many Canadians have Target accounts and credit cards. Target submits it has developed significant goodwill among Canadian shoppers in Canada.

[38] INC submits that Target has yet to conduct retail business in Canada and relies on *Boutique Limité Inc v Limco Investments, Inc* (1998), 232 NR 190 (FCA) (*Boutique Limité Inc*) for the proposition that advertising and issuing credit cards are not use of retail services in Canada.

[39] *Boutique Limité Inc* involved an issue related to trade-mark registration under section 45 of the *Trade-marks Act* and not statutory passing off under section 7(b) of that *Act*. It was decided on the basis of the evidence before the Registrar and before the Court. In my view *Boutique Limité Inc*

does not preclude Target's claim of goodwill in Canada nor negate the evidence submitted in support of that claim. Furthermore, *Orkin* demonstrates that in certain circumstances a plaintiff can have a claim of passing off even when it only does business in the US and not in Canada.

[40] INC does not dispute that Target has established goodwill in Canada but rather argues that Target has not yet commenced actual retail business activity in Canada. I am prepared to accept, based on the test in *Orkin* and Target's evidence about its Canadian customers, that Target has a degree of goodwill in Canada.

Threshold for Irreparable Harm

[41] The Federal Court of Appeal has held that there is a high threshold to proof of irreparable harm. In *Millennium Charitable Foundation v Canada (Minister of National Revenue)*, 2008 FCA 414 (*Millennium Charitable Foundation*), the Court wrote at para 25:

For these reasons, I conclude that the Foundation has failed to demonstrate, on a balance of probabilities, that it will suffer irreparable harm if the requested order is not granted. As a result of the Foundation's failure to establish this element of the *RJR-MacDonald* test, the application must be dismissed.

Confusion

[42] Target submits that its survey evidence confirmed by expert interpretation supports the conclusion that INC's Target Apparel stores is creating a high level of confusion in the minds of surveyed Canadians.

[43] INC disputes the validity of Target's telephone survey by Dr. Corbin, submitting that the survey did not measure the extent to which Canadians recognized TARGET in combination with

the bull's-eye logo or other visual contextual cues like store size, appearance and layout. It similarly challenges Target's mall intercept surveys by Dr. Ford as not clearly showing respondents the size, layout or internal appearance of a Target Apparel store, the type and price of products or the disclaimers now in Target Apparel stores. INC submits its own survey conducted by Mr. Klein found the apparent confusion as between 7 - 14% and stated: "This is considerably lower than in the Plaintiff's survey and is also below the '15% of people' who, according to Corbin. '*...think Elvis is still alive.*'"

[44] INC submits that its survey of Target Apparel shoppers by Mr. Klein clearly showed that over 80% of Target Apparel shoppers, after being shown a picture of a real Target store and told that it sold a variety of merchandise, said they were likely to visit a Target store once they opened in Canada.

[45] From a review of the parties' survey evidence on confusion it is apparent that there would be some confusion between the two ventures. More to the point is the question of whether the present confusion is indicative of actual harm to Target.

[46] In *Mattel, Inc v 3894207 Canada Inc* 2006 SCC 22 at para 57 (*Mattel*) the Supreme Court of Canada agreed that the average consumer is owed a certain amount of credit in assessing the likelihood of confusion and that "one must not proceed on the assumption that the prospective customers or members of the public generally are completely devoid of intelligence or of normal powers of recollection or are totally unaware or unformed as to what goes on around them."

[47] Keeping this directive in mind and INC's survey evidence that the majority of Target Apparel shoppers who were shown a picture of a Target store indicated they would shop at Target, I am not persuaded that the customer confusion demonstrated by these early surveys in Target's evidence would continue in the face of the real observable differences that would accompany a comparison of a 32,000 square feet Target Apparel discount clothing store with a 133,000 square feet full featured retail Target department store that is four times larger.

Brand Promise

[48] The main thrust of Target's submissions on irreparable harm turns on harm to Target's 'brand promise'. It submits that damage to "brand meaning" or "brand equity" and goodwill may be established through the opinion of a marketing expert in sufficient degree to establish irreparable harm: *Imax Corp v Showmax, Inc*, [2000] 182 FTR 180 at paras 73, 82-83. Target also submits that goodwill and market share once lost may be impossible to regain resulting in irreparable harm: *BGM Holdings Ltd v Jim Gauthier Chev Cadillac Ltd*, 2010 MBQB 213 at para 50.

[49] Target cites from *Business Depot Ltd v Canadian Office Depot Inc*, [1993] 63 FTR 271, 49 CPR (3d) 230 at 237:

As with most cases of this nature, the harm suffered by the plaintiff should the defendants be allowed to use the name "OFFICE DEPOT" in Ontario is difficult to assess. Clearly, there will be loss of market share as customers go to the defendants' store believing it to be the plaintiff's and then remain Office Depot customers. It is virtually impossible to ascertain how many customers will adopt this mistaken assumption or how much market share the plaintiff will lose as a result, but I am persuaded that the loss during the interim period until trial would have wide-ranging effects that could not be easily be quantified in damages.

[50] Target submits its brand name is one of the most valuable brands in retailing. The Target brand has a specific “brand promise” which differentiates Target from its competitors. Its expert witness, Dr. Thompson, deposed that “brand” means the distinctive and noticeable characteristics that identify a business and include the name and trade-mark. A brand promise relates to the consistency, product assortment, quality, style, status, price, value, or other factors that may attract and retain a loyal customer base. “Brand equity” means the value of a brand which results from successful delivery of the brand promise.

[51] Target submits its evidence shows Target’s brand promise includes neat clean stores, well stocked with a breadth of product assortment not found elsewhere, and helpful knowledgeable employees. These qualities among others, Target submits, establish Target’s brand as a “sincere brand”. Dr. Thompson cited a report by the Association for Consumer Research (ACR) to show that transgressions to a “sincere” brand cause irreparable harm.

[52] The ACR report commented on a 2004 study at Stanford University by Professor Jennifer Aaker (the Aaker study) and others:

Their results showed that while, over time, the sincere brand indeed enjoyed stronger consumer-related brand relationships than the exciting brand, the transgression event did remarkable damage to consumer’s relationships with the sincere brand.

Surprisingly, consumers’ relationships with the sincere brand relationship exhibited no signs of recovery despite apologies and attempts to make amends.

In sharp contrast, consumers’ relationships with the exciting brand slowly deteriorated over time in the absence of transgressions, and, in the event of transgression and recovery, the relationship with the exciting brand surprisingly strengthened and improved.

[53] Target submits that INC's Target Apparel stores break the Target brand promise as Target Apparel stores sell a more limited range of goods (apparel including unsold remainder items from Fairweathers and International Clothiers stores), differ significantly in store design, layout, product assortment and service, and vary from store to store. Target submits once consumers associate a store with a poor shopping experience or with a particular category of goods rather than many categories, it is difficult if not impossible to change those perceptions which would have a significant impact on consumer shopping behaviour for years to come.

[54] Target submits that the Dr. Thompson's evidence establishes the Target Apparel stores will damage Target's "sincere" brand and that the longer the Target Apparel stores continue with the use of the misleading name, the more ingrained will be customers' sense that Target has abandoned its brand promise in Canada.

[55] Target submits that the result of the Target brand promise being derailed in Canada will be a loss of brand equity, and it will be impossible to identify the scope of the damage, which involves possible future actions not taken.

[56] INC attacks Target's contention that its brand will suffer irreparable harm based on Dr. Thompson's theory that Target is a "sincere" brand. It submits that Dr. Thompson's theory is speculative, flawed and contrary to Target's own evidence which INC interprets as showing the traits of an "exciting" brand. It challenges Dr. Thompson's expertise, pointing out he is an economist who had never been retained to provide advice with respect to brand perceptions or whether a brand is "sincere" or "exciting".

[57] INC provided a copy of the 2004 Aaker study and contended it was a preliminary academic experiment conducted with 69 individuals who reviewed a website involving a fictional digital photography service over a two month period. This experiment manipulated variables to apparently create a brand “personality” that was either “sincere” or “exciting”. INC stressed that the Aaker study itself set out many “caveats” concerning the experiment and called for further research on the topic as the lead author, Professor Aaker wrote:

Caveats and Calls for Future Research

...

This method, however, is not without its limitations, which include a restrictive sample size, noise stemming from the study environment, and limits to generalizability associated with the exploitation of two personality types within a single product category. Further, although our beta test cover story allowed ecological validity advantages, relationships were nonetheless artificially construed and came to an end at the two month mark. Indeed, based on the magnitude of means obtained on selected relationship strength measures, some may debate the degree to which relationships were created at all. The constrained timespan of the study raises questions regarding the sustainability of observed effects as well. A study design that more explicitly recognizes the staged, complex, and cumulative process of relationship evolution across a time horizon is suggested, particularly in light of the diagnostic value of self-connection and intimacy measures. Internal validity can also be strengthened through attempts to disentangle the communication of the transgression from the transgression act itself and direct consideration of transgression versus recovery components of the service failure.

[58] I consider Target’s submission on irreparable harm is advanced on the basis of a marketing theory about “sincere” and “exciting” brand personalities to be difficult to assess. I have reviewed Dr. Thompson’s affidavit, cross-examination and re-examination on affidavit. He acknowledges not having himself conducted brand personality research. He refers only to the Aaker study which he describes as the gold standard on what happens when there is a violation of a brand promise. However, he is imprecise about Professor Aaker’s cautions.

[59] Dr. Thompson's evidence does not answer Professor Aaker's caveats on generalizability of the personality types (sincere and exciting) and the sustainability of transgression impacts. Without more, I am unable to bridge the chasm between a two month internet study with 69 individuals about a fictional internet photographic service that loses their online photo albums and a trade name marketing clash between two major business enterprises.

[60] Where expert evidence is provided by affidavit and is challenged in the course of the proceedings, it seems to me that assessment of such expert evidence is best left for the fullness of a trial where review of qualifications and in-court testimony, direct, cross-examination and redirect, are present.

[61] In result, I find that Target has not proven on the balance of probabilities that it would suffer irreparable harm to its brand promise on the expert affidavit evidence as presented.

Licensing

[62] INC contends that another difficulty with Target's submissions on "brand promise" is that while it decries INC's Target Apparel stores' breach of its high standards, it has granted licences to retailers in Canada that do not match up to Target's stated brand promise. Those enterprises are small Canadian businesses which used TARGET as part of their business name. They were confronted by Target and in some cases entered into an agreement where they acknowledged Target's primacy to the name and were given licence to continue with use of the name. These businesses include, for instance, Target Food Stores & Gas Ltd., which operates two small convenience stores now licensed by Target Brands Inc. However, given the differences in scope and

scale between Target and this and other modest businesses, I do not see any significant degree of confusion arising between Target and these much smaller businesses.

[63] I do not find the INC submission that Target has breached its brand promise by licensing or tolerating small businesses using the name TARGET to be particularly telling. On the other hand, Target's practice of licensing businesses using the TARGET name undercuts its submission that it is harmed by the perception that Target Apparel stores are somehow linked with Target.

[64] Target submits that INC's use of its trade-mark may cause it to suffer loss of control over its mark because of its absence from the market: *Target Event Production Ltd v Cheung*, 2010 FCA 255 at para 28. Target says this supports its claim for having a strong case for the damage portion of the passing off test.

[65] In my view the issue of control over trade-marks covering the word "Target" is a matter that must be left for trial.

Inability to Pay Damages

[66] Target further submits that where there is insufficient evidence to demonstrate that the defendants would be able to pay a damages award, then irreparable harm has been shown: *Canadian Fracmaster Ltd v Trojan Wellhead Services Ltd* (1992), 40 CPR (3d) 402 (FCTD) at 404 (*Canadian Fracmaster Ltd*). Target submits that INC's witness, Mr. Harrington, formed his opinion on INC's ability to pay based on a balance sheet review and not on an audited balance sheet, thus failing on the ground set out in *Canadian Fracmaster Ltd*.

[67] INC has placed on record its undertaking to maintain complete and accurate records including an accounting of its sales. Such records would be significant in any assessment of any damage awards.

[68] I am not persuaded by Target's submission that INC has failed to demonstrate its capacity to pay a damage award, should the case go against it. Target disputes INC's claim that any damages would be quantifiable and instead argues that it would be impossible to identify the scope of damages. Taking the evidence of INC as a whole, it is clear that INC is a substantial business venture with the capacity to launch a nationwide clothing store venture. The question of the quantum of damages is far from being determined and I should think that the onus remains with Target.

[69] To demonstrate INC would be unable to pay an award of damages, I would expect Target to put a real number on the likely quantum of damages, and then rebut INC's evidence concerning capacity to pay that amount.

[70] In this proceeding, Target has not yet commenced its proposed business operation in Canada. It has announced it will open its first store in Canada in 2013. In Target's statement of claim it is seeking a permanent injunction. The trial is scheduled for November 2012. Target commenced its application for an interlocutory injunction in November 2010. The interlocutory injunction is intended to apply until a permanent injunction is either granted or refused after the trial of the matter in 2012. In other words, the time of trial is not long off.

[71] Summarizing thus far, the level of confusion among prospective customers is a matter of debate, the expert opinions bear closer examination and assessment, and the time to trial is relatively short. When I consider the evidence as a whole, given to foregoing discussion, I come to the conclusion that Target has not proved on the balance of probabilities that it will suffer irreparable harm during the intervening months until a decision is rendered in the trial of this matter.

[72] In coming to this conclusion, I am mindful Target submits it is particularly vulnerable because it will not open any Canadian stores until 2013. However to me, this consideration is more a question which relates to the balance of convenience.

Balance of Convenience

[73] Although in *Millennium Charitable Foundation*, the Federal Court of Appeal held that the finding of a failure to prove irreparable harm made it unnecessary to consider the balance of convenience, Target submits that the balance of convenience is “paramount” as it is the component which ensures flexibility in the application of equitable principles in diverse factual situations.

David Hunt Farms Ltd v Canada (Minister of Agriculture), [1994] 2 FC 625 (CA) at paras 22–24.

[74] Flexibility is to be achieved under the *American Cyanamid* test by having regard to the exercise of the trial judge’s discretion. In *Turbo Resources*, the Federal Court of Appeal referred to *American Cyanamid* several times in the course of the decision including at para 33:

The other considerations identified by Lord Diplock in that case are, as I have indicated, to be weighed together rather than in consecutive order. That appears to have been done by the learned Law Lord himself in arriving at his conclusion that the balance of convenience lay with the plaintiff. Relating this to the summary of factors outlined

above, the balance of convenience should accordingly be sought for throughout.

[75] In examining the balance of convenience, I am cognizant that Target will not open any stores until after the trial scheduled for November 2012, while INC has already opened its stores across Canada. Target's claim of vulnerability relates to an allegation of an adverse impact on Target's brand promise which I have found to be not proven on the balance of probabilities. Nevertheless, this allegation will be addressed at trial in advance of any Target store openings and, in any event, Target is not required to undo or alter any plans before trial.

[76] The outcome of this lawsuit and corresponding counterclaim aside, I have not heard any evidence that Target will be prevented or delayed from opening Target stores in Canada. This is especially so since a Target news story entered as part of Target's evidence proclaims it sees "no delays, no change in tactics, or timetables" in its plans to open 100 to 150 stores in 2013 and 2014.

[77] The granting of an interlocutory injunction in favour of Target would mean that INC would have to remove and replace its signage for all stores which would, on its evidence involve significant negotiations with various landlords. Target contends this is not of major significance and it is in position to pay any damages that might arise should INC succeed at trial. INC submits if it were obligated to change signage, it would not go back to the Target Apparel name afterwards.

[78] It seems to me that the changing of signage would involve more than a simple matter of cost since the changing of signs away from and later back to the Target Apparel name appear to indicate

instability to its customers and the consequences for INC would be more than a matter of mere expense.

[79] Target has submitted that a court may assess the balance of convenience as it existed at a point in time prior to the hearing of the motion. One of the factors to consider in determining the point in time at which to assess the balance of convenience is the parties' conduct prior to the hearing of the motion. Target submits a court may consider whether the defendants proceeded "with eyes wide open" and elected to take the risk of doing so: *Carbo Ceramics Inc v China Ceramics Proppant Ltd*, 2004 FCA 283 at paras 4 and 9. Target is submitting that INC took the risk in deciding to open the Target Apparel stores.

[80] Looking back upon the chain of events, INC acquired the TARGET APPAREL trade-mark for wares when it bought Dylex's assets in 2001. It opened the store on Orfus Road in 2003. Target challenged the validity of the trade-mark in 2003 and that litigation concluded with the Federal Court of Appeal decision in favour of the validity of the TARGET APPAREL trade-mark in 2007. INC began its negotiations to acquire the Designer Depot stores from the Bay in 2007, and began opening Target Apparel stores commencing in Nova Scotia in 2009. Target announced it was going to enter the Canadian market in 2011.

[81] I note that INC did not begin significant expansion with the Target Apparel stores until after the Federal Court of Appeal decision in its favour. Target had not yet announced its expansion into Canada. I do not take INC's decision to be the sort of risk that invites the Court's disapproval.

[82] INC has taken precautionary steps in the face of Target's claims. It has backed away, though not entirely, from a close copy of the Target name; it has inscribed a red maple leaf in a circle rather than use a red bull's-eye; it has posted a disclaimer to the effect it is not Target; and has undertaken to maintain records of its sales while the litigation is pending.

[83] In result, I conclude that the balance of convenience in respect of an interlocutory injunction, or the balance of inconvenience as it might alternatively be described, lies with INC rather than Target.

Conclusion

[84] I find that Target has identified a serious issue that meets the low threshold set out in *RJR MacDonald*. However, Target has not proved on the balance of probabilities in this motion for an interlocutory injunction that it will incur irreparable harm. Lastly, I conclude the balance of convenience favours INC.

[85] The motion for an interlocutory injunction does not succeed and is dismissed.

ORDER

THIS COURT ORDERS that:

- 1 The motion for an interlocutory injunction is dismissed;
- 2 Costs are awarded in favour of the Defendant INC.

“Leonard S. Mandamin”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1902-10

STYLE OF CAUSE: TARGET BRANDS, INC. AND TARGET CORPORATION and FAIRWEATHER LTD., INTERNATIONAL CLOTHIERS INC. AND LES AILES DE LA MODE INCORPOREES

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: MAY 2, 2011

REASONS FOR ORDER AND ORDER: MANDAMIN J.

DATED: JUNE 23, 2011

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