Flashing Lights: Rare Interlocutory Injunction Granted

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Interlocutory injunctions are rarely granted in trademark and trade name cases in Canada owing, particularly, to evidence of irreparable harm – one of the parts of the injunction test – being examined by Canadian Courts with a very careful eye.

In a recent decision of the British Columbia Supreme Court, an interlocutory injunction has notably been granted, restraining a defendant against using its business name.

The defendant had owned a business known as “Alpha Neon Ltd.”, which made and sold neon signs for approximately 20 years. Alpha Neon Ltd., however, had gone into bankruptcy in 2012.

That same year, the defendant agreed to let the plaintiff incorporate under the name "Alpha Neon (2012) Ltd.", and claimed that this consent was conditional on acquiring shares in the plaintiff’s business. There was no evidence to support the assertion about the shares. The plaintiff was also sold the assets of the defendant’s bankrupt business by order of the Court; that purchase was found not to include rights to the Alpha Neon name.

The plaintiff hired the defendant to work for the new company. Less than two years later, the plaintiff dismissed the defendant alleging cause. The defendant sued over his dismissal, and then formed a new competing company by the name of "Ziskos Sign Consulting Ltd." In July 2014, the defendant changed the company’s name to “Alpha Neon Sign Consulting Ltd.”

With respect to the three-part injunction test to be applied, the defendant conceded there was a serious issue – that of passing off – to be tried. The Court then considered whether irreparable harm would result from the defendant’s continued use of "Alpha Neon” with his competing business. In finding irreparable harm, Justice Macintosh noted that irreparable harm is “incapable of compensation in damages", and found in this instance that "[a] damages assessment would be an artificial exercise" in part because the “supply of neon product is entirely unregulated, and measurements of competing market penetration could be nothing more than guess work”.

Justice Macintosh also noted that even if damages were calculable at trial, the defendant would likely not be in a position to pay them. Without rigorously addressing the issue of balance of convenience, he stated that regardless of whether this impecuniosity would fall under the balance of convenience stage of the injunction test, the injunction would be granted, thereby enjoining the defendant from any and all use of the "Alpha Neon" name.