

# The Perils of Having Success in Getting a Preliminary Injunction in a Trademark Infringement Case – Time to Receive the Wake-Up Call

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## 1. Introduction

When the client is all worked up and overeager to stop a competitor from infringing on its IPRs the requirement to post a bond in order to get a preliminary injunction may be seen as no more than a minor administrative nuisance. However, what may sometimes be overlooked is that there is a reason why a plaintiff seeking a temporary order must provide security and that is to secure the defendant's damage claims should things not work out as planned for the plaintiff (c. f. article 9.7 of the Enforcement Directive). Winning the prelim is simply not the same thing as being assured of success on the merits. Among other things, the evidentiary rules are different and the presentation and determination of evidence will differ. A case pending before the Swedish Supreme Court shall provide a reality check (Case No T 230-15).

Imagine the following (truly fictional) conversation taking place between a plaintiff's counsel and his client.

February 2006

The client: *Do whatever it takes to get them bastards to stop infringing on my rights.*

Counsel: *I shall immediately file for a preliminary injunction and that should teach them a lesson.*

March 2006

Counsel: *I have fantastic news for you. We've had tremendous success and the court has just granted our prelim.*

The client: *That's wonderful! Thank you for your excellent work.*

February 2010

Counsel: *I have not so great news for you. The appellate court has ruled on the merits of your case and you lost. As a result, the prelim has been revoked.*

The client: *That really sucks. I guess that's the end of that.*

April 2011

Counsel: *I'm afraid things have really gone*



*south. The defendant has sued for damages because you lost on the merits and because of that failed prelim.*

The client: *This is turning into a nightmare.*

December 2014

Counsel: *I have terrible news for you. You have been ordered to pay a really huge damage award.*

The client: *You must be fkn kidding! Appeal yesterday!*

April 2016

Counsel: *Finally, I have some good news for you. The Supreme Court has granted us a leave to appeal.*

The client: *That's a relief. But does it mean that I will win the case in the end?*

## 2. What the Case is About

Bringwell is the owner of the Swedish trademark MIVITOTAL. Since the early 1990s Bringwell has used this trademark for a range of dietary supplement products. In or around 2006 Cederroth, a competitor, registered and

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started to use the Swedish trademark MULTI TOTAL for a similar product.

Bringwell sued Cederroth for trademark infringement and, to begin with, Bringwell was successful. In March 2006 a district court granted Bringwell's request for a preliminary injunction enjoining Cederroth from using the trademark MULTI TOTAL for a certain dietary supplement product and the preliminary injunction was later confirmed by an appellate court. After Bringwell having prevailed on the merits in the district court, in February 2010, the district court's judgment was reversed on appeal and the preliminary injunction was revoked. As a result, after Bringwell having unilaterally paid MSEK 4 in damages, Cederroth sued for an additional MSEK 26 in damages because of its alleged losses caused by the preliminary injunction. Hitherto, first a district court and then an appellate court have awarded Cederroth MSEK 20 in damages, but in April 2016 the Supreme Court granted Bringwell a leave to appeal the appellate court judgment.

### 3. The Legal Issues

The Bringwell case raises many important legal and evidentiary issues all of which have been exhaustively argued in Bringwell's submission to the Supreme Court.

Many of these issues can be summarized as whether different rules or principles should apply when a court assesses a damage claim following a preliminary injunction having been revoked than those that the same court would apply in any other tort case.

Bringwell argues that caution must be exercised when assessing and awarding damages in a case such as that against it, because otherwise rights holders may be unduly restricted in their right to seek preliminary measures in infringement cases, which right, among other things, is enshrined in article 9.1 (a) of the Enforcement Directive. The author of this article would opine that, since there are also other interests at stake than a rights holder's ability to stop what it perceives to be an infringement, the same caution should apply as in any other tort case, no more and no less, and that the same general rules and principles should apply as in any other case concerning an alleged tortious conduct.

Two of Bringwell's main points deal with causation and with the duty to mitigate. Causation and the duty to mitigate are general concepts under tort law and often, as in the Bringwell case, these concepts are intertwined.

Accordingly, the lower instance courts awarded Cederroth damages for the loss of sales of a certain dietary supplement product, without requiring from Cederroth that it should first have tried to sell its product using another trademark than MULTI TOTAL. Among its arguments, the appellate court noted that it should have been foreseeable to Bringwell that, pending resolution of the infringement case, Cederroth would decide to cease all marketing and sales of the product in question. Further, the appellate court ruled that once it had concluded that the preliminary injunction had been the cause in fact

of Cederroth's loss of sales there could be no obligation for Cederroth to mitigate its loss.

Bringwell takes an issue with the lower courts' reasoning and Bringwell's position on these two points can be summarized as Bringwell saying that Cederroth could have sold its product using a different trademark than MULTI TOTAL and that it should have done so rather than to sit back and wait for the infringement case to run its course. Therefore, according to Bringwell, the only loss that should be compensable is the loss that would have been caused to Cederroth by being prevented from using the MULTI TOTAL trademark, i. e. the delta between such sales that Cederroth could have achieved under the MULTI TOTAL trademark and the sales it could have accomplished using another brand.

Applying the causation test to the Bringwell case, the preliminary injunction must have been a necessary antecedent to and the proximate cause of Cederroth's loss of sales. The causation test can alternatively be phrased as the "but test" (but for the preliminary injunction, would Cederroth have suffered the loss). Causation can also be explained as what should have been reasonably foreseeable to a *vir optimus*, a particularly knowledgeable person, when put in the same situation and when faced with the same circumstances as Bringwell. When applying this test, the courts held that it should not have been a foregone conclusion that Cederroth would adopt a new trademark to replace MULTI TOTAL rather than to try to stick it out.

The duty to mitigate is the principle in law that teaches that an aggrieved party has to take reasonable steps in order to try to avoid or at least minimize the amount of the loss suffered. Under this principle, a defendant should not be ordered to pay compensation for avoidable losses. Under the UNIDROIT Principles the rationale for the plaintiff's duty to mitigate is said to be "to avoid the aggrieved party passively sitting back and waiting to be compensated for harm which it could have avoided or reduced". The onus on showing a failure to mitigate damages is usually on the defendant.

### 4. What to Expect From the Supreme Court

The author of this article must admit to having some sympathy for Bringwell's line of argument, but a defendant must also be given a certain amount of latitude when deciding its future branding strategies amid a preliminary injunction and hindsight wisdom can neither be expected nor required. A trademark is usually adopted only after careful consideration and research, involving focus groups and various other studies and surveys, and often the services of strategic brand consultants, and having to rethink a carefully thought-out branding strategy under the proverbial gun is seldom the best recipe for having commercial success. An aggrieved party should never be required to undertake commercial risks or to incur substantial costs in the interest of the tortfeasor. Undoubtedly, the Supreme Court case will be closely watched by rights holders and when in the future contemplating to seek interim measures rights holders would be well advised to first consider the risk of having rain after sunshine.