

February 2017

## Why use this slogan anywhere else?

What happens when the owner of one of Canada's catchiest jingles faces a new marketing campaign from a long-standing department store?

In a recent decision of the Federal Court, Sears Canada Inc. ("**Sears**") was enjoined from using a slogan that was confusingly similar to Sleep Country Canada Inc.'s ("**Sleep Country**") "WHY BUY A MATTRESS ANYWHERE ELSE?". The judgment in *Sleep Country Canada Inc. v. Sears Canada Inc.*<sup>1</sup> is noteworthy as a recent case granting an injunction against infringing on a trademark.

### Background

Sleep Country has used the trademark "WHY BUY A MATTRESS ANYWHERE ELSE" since 1994. The slogan has garnered national acclaim for its popularity and is the subject of two trademark registrations.

In July 2016, Sears began using the slogan "THERE IS NO REASON TO BUY A MATTRESS ANYWHERE ELSE" in its print and online advertisements. Despite requests by Sleep Country, Sears refused to cease use of the slogan, and an action for trademark infringement, depreciation of goodwill and passing off was initiated by Sleep Country. With the hopes of stopping Sears from using the slogan

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<sup>1</sup> 2017 FC 148 [Sleep Country].

pending the outcome of the infringement action, Sleep Country sought an interlocutory injunction against Sears.<sup>2</sup>

### Test for Interlocutory Injunctions

A party seeking an interlocutory injunction must successfully establish the following three elements:<sup>3</sup>

- i. that a serious issue has been raised;
- ii. that it will suffer irreparable harm if the injunction is not granted (i.e., harm which cannot be quantified); and
- iii. that the balance of convenience favours the party seeking the injunction.

Sears conceded that a serious issue had been raised and therefore the first part of the test had been met. As to part three of the test - balance of convenience - the Court found in favour of Sleep Country, given that it had used its mark for 22 years, Sears had only recently commenced use and could revert to its pre-slogan marketing approach and as there is a “public interest” in protecting trademarks.

As a result, the Court focused its attention on what is often cited as the most difficult element of the test to satisfy: irreparable harm.

### Irreparable Harm Established

The Court was of the view that there was indeed irreparable harm to Sleep Country, given the likelihood of confusion between the slogans and the resulting loss of distinctiveness in its slogan.

In conducting its confusion analysis, the Court found that the phrases were almost identical, they conveyed the same value proposition or

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<sup>2</sup> An earlier request by Sleep Country for an interim injunction (i.e., an injunction to take effect while the decision on the interlocutory injunction was pending) was dismissed on the basis that Sleep Country had not established irreparable harm. The Court in *Sleep Country* granted the interlocutory injunction anyway. The Court held that the decision in the interim injunction was not persuasive. The Court had a more fulsome record of evidence before it and cross-examinations had been conducted. In addition, the Court in *Sleep Country* considered the existence of irreparable harm over the period of time to trial compared with the few months between the interim and interlocutory injunction hearings. Lastly, the Court relied on the absence of detailed reasons in the interim injunction

<sup>3</sup> *RJR-MacDonald v Canada (Attorney General)*, [1994] 1 SCR 311, 111 DLR (4th) 385.

ideas and the mattresses were sold in similar channels of trade in similar manners. The length of time that Sleep Country had used its slogan compared to Sears also favoured Sleep Country.<sup>4</sup>

As was noted in the decision of *Centre Ice Ltd. v. National Hockey League*,<sup>5</sup> however, proving confusion alone is not sufficient to prove depreciation of goodwill or irreparable harm.<sup>6</sup> Sleep Country argued and led expert evidence that the irreparable harm it would suffer would arise in two ways: (i) lost sales would be impossible to identify or quantify; and (ii) harm would occur through depreciation of goodwill and loss of distinctiveness of its slogan, which is an intangible harm not capable of quantification.<sup>7</sup> In contrast, Sears argued that any damages suffered by Sleep Country, while perhaps difficult to quantify, were nevertheless quantifiable. Both parties led extensive expert evidence in this regard.

Justice Kane reiterated that difficulty in calculating damages is not tantamount to irreparable harm.<sup>8</sup> While evidence of irreparable harm must be clear and non-speculative,<sup>9</sup> the Court looked to the 2015 decision in *Reckitt Benckiser LLC v Jamieson Laboratories Ltd.*,<sup>10</sup> where Justice Brown opined:

Where a confusing mark will cause a plaintiff's mark to lose its distinctiveness, the damage to goodwill and the value of the mark is impossible to calculate monetarily.<sup>11</sup> (emphasis added)

According to the Court, the present circumstances were distinguishable from other cases involving the sale of infringing products (where the quantum of damages may be more readily

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<sup>4</sup> *Sleep Country* at para 94.

<sup>5</sup> (1994), 53 CPR (3d) 50, 166 NR 44 (FCA).

<sup>6</sup> (1994), 53 CPR (3d) 50, 166 NR 44 (FCA).

<sup>7</sup> *Sleep Country* at para 35.

<sup>8</sup> *Sleep Country* at para 152.

<sup>9</sup> *Sleep Country* at paras 28-29.

<sup>10</sup> 2015 FC 215, var'd on other grounds 2015 FCA 104.

<sup>11</sup> *Sleep Country* at para 55.

quantified). The present case dealt with an infringing “slogan” and not an infringing product.<sup>12</sup>

The Court considered one of Sears’ experts who was called to establish that Sleep Country’s damages could be measured. The Court held the expert did not provide a “reasonably accurate” way to measure Sleep Country’s damages. His model was undermined given the many variables or adjustments that would have to be made and the lack of current or future data.<sup>13</sup> The Court was also critical of the expert’s reliance on unclear and unsupported assumptions.<sup>14</sup> Ultimately Justice Kane concluded that Sears’ expert evidence on damage calculation “borders on the impossible and, as noted above, is based on flawed and unsupported assumptions”.<sup>15</sup>

In contrast, Sleep Country led evidence that it had never been able to properly quantify the financial impact that its successful slogan had on the value of its brand; nor could it calculate the sales attributable to the success of its slogan.<sup>16</sup> Further, in these circumstances, relying on a disgorgement of profits was too speculative as Sears may not have profits resulting from its new marketing strategy and attributing profits to the use of the slogan would be problematic.<sup>17</sup>

This decision makes it clear that proving the irreparable harm necessary to obtain an injunction is difficult but not impossible. The case shows that to succeed, more is needed than a bare assertion that quantifying damages is impossible and one needs to demonstrate why it is true in the case at hand. Sleep Country’s unique evidence included information about its pre-litigation efforts to value its trademark. Its failure to come up with a satisfactory

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<sup>12</sup> *Sleep Country* at para 119

<sup>13</sup> *Sleep Country* at para 134.

<sup>14</sup> *Sleep Country* at para 138.

<sup>15</sup> *Sleep Country* at para 150.

<sup>16</sup> *Sleep Country* at para 117.

<sup>17</sup> *Sleep Country* at para 157.

value assisted the Court in arriving at its conclusion that the task was indeed impossible.

In the end, the Court was of the view that Sleep Country did not rely on an “inference” that confusion would lead to loss of goodwill and harm - but rather Sleep Country had evidence of depreciation of goodwill and loss of distinctiveness.<sup>18</sup> As a result, Sleep Country was granted its interlocutory injunction.

### Practical Lessons From *Sleep Country*

*Sleep Country* contains some interesting legal and practical lessons for litigants. First, the judgment in the interlocutory order came after the opposite result had been reached in an interim injunction that had been argued on similar principles. As noted above, one of the differences that Justice Kane relied upon was that cross-examination of witnesses was not available during the interim injunction.

Second, *Sleep Country* applies recent Supreme Court jurisprudence<sup>19</sup> that an expert is not required to prove confusion.<sup>20</sup> That said, Justice Kane admittedly considered the expert evidence marshaled by the parties in relation to confusion<sup>21</sup> and clearly used it to evaluate depreciation of goodwill and loss of distinctiveness.<sup>22</sup>

Third, *Sleep Country* emphasizes the importance of properly marshaling expert evidence. The Court was critical of one of Sears’ expert’s failure to abide by the Code of Conduct for Experts. The Court’s failure to accept that Sleep Country’s damages could be quantified was directly related to the evidence of which the court was critical.

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<sup>18</sup> *Sleep Country* at para 114.

<sup>19</sup> See *Masterpiece Inc., v. Alavida Lifestyles Inc.*, 2011 SCC 27.

<sup>20</sup> *Sleep Country* at paras. 88-89.

<sup>21</sup> Her Honour expressly stated this in para 94.

<sup>22</sup> *Sleep Country* at paras. 100-109.

*Sleep Country* demonstrates how costly an interlocutory injunction seeking to enjoin use of a trademark may be. In total, five persons were called as expert witnesses. The interlocutory injunction followed the interim injunction which had already been heard a few months before. While the decision on its merits is helpful to longtime trademark holders, significant resources appear to have been spent arriving at the outcome.

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#### a cautionary note

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