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Why get an injunction anywhere else? Federal Court grants interlocutory injunction based on damage to goodwill and practical impossibility of calculating lost sales

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Trade-marks and branding

In *Sleep Country Canada Inc v Sears Canada Inc*, the Federal Court granted an interlocutory injunction to Sleep Country based on its finding that, should Sleep Country ultimately prevail: (i) the damage to the distinctiveness of Sleep Country's slogan and resulting impact on the goodwill of the business are not possible to quantify; and (ii) the quantification of lost sales will be "difficult to the point of impossibility" to quantify.

Since the 1994 Federal Court of Appeal decision in *Centre Ice Ltd v National Hockey League*[1] interlocutory injunctions have been notoriously difficult to obtain in trademark cases. Principally they have floundered on the impossibility of proving irreparable harm. A crack has now been opened by this decision – although it is yet to be seen whether this case is an exception to the rule or the beginning of a return to the days when interlocutory injunctions in trademark cases were more the norm.

Background

This case concerned Sears' adoption of the slogan "There is no reason to buy a mattress anywhere else," which Sleep Country alleged infringed its registered rights to the slogan "Why buy a mattress anywhere else?"

Sleep Country sought an interlocutory injunction to prevent Sears from using the slogan pending trial.

To obtain an interlocutory injunction a moving party needs to establish that: (i) there is a serious issue to be tried; (ii) the moving party will be irreparably harmed if the injunction is not granted; and (iii) the balance of convenience favours the moving party. In most intellectual property cases, the irreparable harm component is the most difficult part of the test to meet.

In this case, Sears conceded there was a serious issue to be tried, as the threshold at that stage is fairly low. The court also found that the balance of convenience favoured Sleep Country particularly given the relatively short time that Sears had been using its slogan.

The bulk of the decision is devoted to a discussion of the irreparable harm component of the test.

Irreparable harm – loss of distinctiveness and goodwill

The prior case law had clearly indicated (and Sleep Country apparently accepted) that irreparable harm must be shown by clear and convincing evidence and that confusion alone was not enough to show depreciation of goodwill or to prove irreparable harm. Based on the evidence presented, the court held that Sleep Country had met the standard and the use of Sears' slogan is likely to result in confusion leading to loss of distinctiveness and depreciation of goodwill that would be impossible to quantify. These findings are similar to the findings in a 2015 case with an unusual fact pattern that resulted in an aberration from conventional interlocutory injunction results.[2]

Irreparable harm – apportionment of lost sales

The court also considered the difficulty of quantifying the lost sales that Sleep Country may suffer. Typically, lost sales for products are considered quantifiable and therefore compensable with damages and not irreparable. On the evidence presented, however, the court found that apportioning lost sales due to the use of Sears' slogan (essentially constructing a hypothetical world in which Sleep Country's rights were not infringed) would require using many variables and adjustments based on data that might not even exist. The court held that the obstacles in this case would amount to an impossibility.

In reaching its conclusions, the court distinguished this case from prior case law because this case related to a slogan or "value proposition" for the business as a whole as part of a multi-faceted marketing strategy rather than infringement in respect of a trademark used on an infringing product.[3]

While an analysis of the irreparable nature of harm to goodwill and difficulties associated with calculating lost sales will be welcomed by brand owners, the court's comments on the distinction between business slogans and trademarks used on products seem unnecessarily limiting. Surely where there is confusion and a multi-faceted and changing business environment, the damage to goodwill should almost always be unquantifiable. It is welcome that the court recognizes this, even in the limited context of slogans applied to the business as a whole rather than individual trademarks on goods.

It is unclear whether the court would have granted the injunction based solely on the difficulty of apportioning lost sales absent the findings on the unquantifiable nature of loss of distinctiveness and goodwill. It is possible, however, to imagine other cases, in trademarks or otherwise, that contain "difficult to the point of impossible" apportionment problems. For example, many trademarks (not just slogans) arguably exist and function only as one part of a multi-faceted marketing mix or strategy. In patents, a patent may cover only one small aspect of a larger, more complex and multi-faceted product. In many contexts, the entry of an infringing product or service might set off a complex chain of events that is practically impossible to unwind. In all of these cases, the evidence may demonstrate it will be difficult to the point of being impossible to quantify the damage of any alleged infringement when directed to the business as a whole.

This case and its discussion of the difficulty associated with the apportionment of lost sales may provide a path to an interlocutory injunction in cases with similar difficulties.

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Footnotes

1 (1994), 53 CPR (3d) 50.

2 *Reckitt Benckiser LLC v Jamieson Laboratories*, 2015 FC 215/2015 FCA 104.

3 *Sleep Country* paragraphs 118-119.

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