

Federal Court



Cour fédérale

Date: 20170109**Docket: T-1739-16****Citation: 2017 FC 148****Ottawa, Ontario, February 9, 2017****PRESENT: The Honourable Madam Justice Kane****BETWEEN:****SLEEP COUNTRY CANADA INC.****Plaintiff/Moving Party****and****SEARS CANADA INC.****Defendant/Responding Party****ORDER AND REASONS****I. Overview**

[1] The Applicant, Sleep Country Canada Inc. [Sleep Country] seeks an interlocutory injunction to prevent Sears Canada Inc. [Sears] from using its “Descriptive Statement”, or slogan, “THERE IS NO REASON TO BUY A MATTRESS ANYWHERE ELSE”, which Sleep Country alleges infringes its trade-marked slogan “WHY BUY A MATTRESS ANYWHERE ELSE?”, pending the final determination of Sleep Country’s action for trade-mark infringement.

[2] Sleep Country alleges that Sears' use of Sears' slogan is causing Sleep Country irreparable harm. This harm is a result of confusion between the two slogans, as well as depreciation of the goodwill and loss of distinctiveness of Sleep Country's registered trade-marks

[3] Sleep Country's earlier motion for an interim injunction, i.e., pending the determination of the present motion for an interlocutory injunction, was dismissed by Justice Boswell on October 25, 2016. Justice Boswell noted the three part test for an injunction (*RJR-MacDonald v Canada (Attorney General)*, [1994] 1 SCR 311, 111 DLR (4th) 385 [*RJR-MacDonald*]). Justice Boswell acknowledged that a serious issue had been conceded by Sears, but found that irreparable harm had not been established. Sears submits that Justice Boswell's Order is persuasive, and that this motion for an interlocutory injunction should also be dismissed because the evidence on the record is largely the same. Sears submits that Sleep Country has not established that irreparable harm will result, or that any resulting harm could not be quantified and compensated for in damages for loss of sales or disgorgement of profits.

[4] With due respect to Justice Boswell's decision, I do not agree that the decision is persuasive for this motion. Justice Boswell did not provide detailed reasons, noting only that Sleep Country had not adduced clear and non-speculative evidence that it would suffer irreparable harm. The record on this motion is more extensive and the relevant time period to assess irreparable harm is very different.

[5] I have considered this motion on the basis of the record before me, the submissions of counsel, and the jurisprudence.

[6] To succeed on the motion for an interlocutory injunction, Sleep Country must establish each element of the three part test: that a serious issue has been raised; that it will suffer irreparable harm if the injunction is not granted; and, that the balance of convenience -- which assesses the harm to Sleep Country and to Sears, and includes an assessment of the public interest -- favours Sleep Country (*RJR-MacDonald* at page 334).

[7] Sears concedes for the purpose of this motion that a serious issue has been raised.

[8] For the purpose of this motion, I find that Sleep Country has established on a balance of probabilities that confusion is likely, as is depreciation of goodwill and loss of distinctiveness, between now and the determination of the infringement action, and that loss of sales and/ or other damages will result.

[9] The key issue in this application is whether Sleep Country has established, with clear and non-speculative evidence, that it will suffer irreparable harm as a result of the alleged infringement, including confusion and/or depreciation of goodwill or loss of distinctiveness, between now and the time the action is finally determined and whether this harm can be quantified and compensated in damages. If it cannot be quantified, it is irreparable.

[10] Sleep Country argues that the harm attributable to Sears' alleged infringing conduct (the use of Sears' slogan) is not possible to quantify, as their experts consistently state, and is, therefore, irreparable. Isolating the impact of the use of the slogan from several other changes made by Sears and from other market forces that may affect Sleep Country's sales, reputation, and goodwill will be impossible. Sleep Country also submits that the impact of Sears' infringement will go beyond lost sales, and that depreciation of goodwill and loss of distinctiveness are not possible to quantify.

[11] Sears argues that any harm that may result to Sleep Country from Sears' use of its slogan can be quantified and is compensable in damages, and its expert, Mr. Harington, describes a methodology to do so.

[12] The evidence of the experts has been carefully considered. Sleep Country's experts dispute the evidence of Sears' experts and *vice versa*.

[13] Sears' expert, Mr. Harington, provided a detailed explanation for his model to first assess the total possible lost sales and then to isolate or "parse out" the damages attributable to the infringing conduct. Mr. Harington relies on several assumptions, including a core assumption that Sleep Country and Sears will react in the same way to all other market forces. This core assumption was not set out in his affidavit, but was noted in his cross-examination.

[14] Mr. Harington's testimony, which suggested that this assumption applied on a "store-by-store" basis rather than nationally or provincially, does not respond to the concern that he failed

to set out his assumptions in his affidavit or to the lack of evidence to support his assumptions, as he acknowledged. Moreover, there are many uncertainties in the application of his model that lead me to conclude that his methodology to quantify Sleep Country's damages and then to parse out the impact of only the allegedly infringing slogan would not be workable in the present circumstances. The application of the model would be difficult and uncertain to the point of impossibility, and as a result, would not result in quantification of any harm to Sleep Country.

[15] For the reasons elaborated on below, the injunction is granted. I find that Sleep Country has established irreparable harm between now and the disposition of this action. Sleep Country has established this irreparable harm on a balance of probabilities, using concrete and non-speculative evidence provided by experts who refer to marketing principles and concepts, as well as the principles governing damages. In addition, the balance of convenience favors Sleep Country.

II. Background

[16] Sleep Country was founded in 1994 and now has 234 stores and 17 distribution centres in Canada. Since 1994, Sleep Country has used the slogan "WHY BUY A MATTRESS ANYWHERE ELSE?" [the Sleep Country slogan] in TV, radio, print, and on-line advertising. Sleep Country notes that the slogan is the cornerstone of its brand and marketing. The slogan is protected by two registered trademarks, TMA451875 and TMA456694, which grant Sleep Country exclusive use of the slogan.

[17] Sleep Country notes that its slogan, which is sometimes in a musical jingle, has national recognition and has reached iconic proportions. The jingle was ranked as one of Canada's 25 catchiest jingles by the Huffington Post. The jingle was inducted into the marketing Hall of Legends and the Retail Council of Canada Hall of Fame in 2005.

[18] Sears began as a joint venture with Simpsons in 1952 as a catalog retailer, expanding to brick-and-mortar stores in 1953. Sears is a department store that sells many goods. Sears has sold mattresses for at least the past 40 years.

[19] In 2016, Sears launched a multi-faceted new marketing plan, including several changes to its logo, catalogue, website, price match guarantee, assortment of mattresses, and delivery and pick-up service, as well as its new "descriptive statement" or slogan.

[20] In July, 2016, Sears used its slogan in on-line flyers on Instagram® and Facebook®. Use of the Sears slogan expanded to printed flyers in August and September of 2016. Sears also used its slogan in radio advertisements beginning in July, continuing more broadly in September and October, and in its Black Friday advertisements in November.

[21] Sleep Country sent a cease and desist letter on August 2, 2016, informing Sears that Sears' slogan infringed Sleep Country's trade-marks. Sears responded through counsel on August 23, 2016, that there was no infringement and that they would not stop using the Sears slogan.

[22] Sleep Country then brought an action against Sears which seeks, among other relief: a final injunction prohibiting and restraining Sears from use of the slogan “There is no reason to buy a mattress anywhere else” or any other phrase confusingly similar to Sleep Country’s slogan; a declaration that Sears has infringed Sleep Country’s trade-marks contrary to section 20 of the *Trade-marks Act*, RSC 1985, c T-13[the Act]; a declaration that Sears has infringed the trade-marks in a manner likely to have the effect of depreciating the good will attaching to the trade-marks contrary to section 22 of the Act; and, a declaration that Sears has made a false or misleading statement tending to discredit the business, goods or services of Sleep Country, contrary to section 7 of the Act

[23] Sleep Country claims that Sears’ use of the infringing slogan between now and the time of the disposition of its action will cause confusion in the market and depreciation of good will and loss of distinctiveness to Sleep Country’s slogan, and that this will result in irreparable harm, including in lost sales to Sleep Country.

III. The Issues

[24] The overall issue is whether the interlocutory injunction should be granted – i.e. whether Sears should be enjoined from using its “descriptive statement” or slogan until the action for infringement is finally determined, which is not likely to be for 18-24 months, or potentially longer.

[25] The parties agree that the test to be applied is that established by the Supreme Court of Canada in *RJR-MacDonald* at page 334.

[26] Sears concedes for the purpose of this motion that a serious issue has been raised, noting the low threshold to establish a serious issue and that it will defend the allegations of trade-mark infringement at trial. Sears adds that this concession has no bearing on the establishment of irreparable harm, for which Sleep Country must provide clear and convincing non- speculative evidence.

[27] In *RJR-MacDonald* at page 341, the Court described “irreparable harm” as referring 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.”

[28] Evidence of irreparable harm must be clear and non-speculative (*Glooscap Heritage Society v Canada (Minister of National Revenue)*, 2012 FCA 255 at para 31, 440 NR 232).

[29] The need for clear and non-speculative evidence of non-quantifiable, and therefore, irreparable harm in the context of a motion for an injunction pending the determination of allegations of trade-mark infringement was emphasized by the Federal Court of Appeal in *Centre Ice Ltd v National Hockey League* (1994), 53 CPR (3d) 50, 166 NR 44 (CA) [*Centre Ice*]. The Court of Appeal held, at page 54, that “confusion does not, *per se*, result in a loss of goodwill, and a loss of goodwill does not, *per se*, establish irreparable harm not compensable in damages. The loss of goodwill and the resulting irreparable harm cannot be *inferred*, it must be established by “clear evidence”.” [Emphasis in the original.]

[30] The key issue in this application is whether Sleep Country has established that it will suffer irreparable harm between now and the time that the action is finally determined. This issue turns on whether the evidence establishes that there is likely to be harm resulting from the alleged infringement, and whether the harm can be quantified and is compensable in damages or whether it is impossible to do so.

IV. The Evidence

[31] The evidence was submitted by way of affidavits and exhibits attached thereto and by the cross-examination of the affiants.

[32] The evidence for Sleep Country was submitted by way of one or more affidavits from: David Friesma, Chief Executive Officer of Sleep Country; Prof. Kenneth Wong, a Professor of Marketing at Stephen J.R. Smith School of Business at Queen's University; David Kincaid, an expert in the fields of branding valuation and marketing; and Errol Soriano, a Chartered Professional Accountant, Chartered Business Valuator, and Certified Fraud Examiner, who has focused on quantification of financial loss and valuation of business interests since 1991.

[33] The evidence for Sears was submitted by way of one or more affidavits from: Melissa Schipani, the Category Manager for the Sleep Shop at Sears; Andrew Harington, a Chartered Professional Accountant, Chartered Financial Analyst, and Chartered Business Valuator, with extensive experience in business and intellectual property valuation and damages quantification; and Professor Shidhar Moorthy, a Professor of Marketing at the Rotman School of Business at

the University of Toronto, with extensive academic experience, authorship of articles and text books, and experience in marketing, particularly branding.

[34] The evidence of the experts is summarized in Annex A and is referred to below with respect to the discussion of the specific issues.

V. Has Sleep Country Established Irreparable Harm?

A. *Sleep Country's Submissions*

[35] Sleep Country submits that its evidence establishes on a balance of probabilities that it will suffer irreparable harm in a few ways. First, irreparable harm will manifest through lost sales that will be impossible to identify or quantify. Secondly, this harm will occur through depreciation of goodwill and loss of distinctiveness of its slogan, which is intangible harm that is not capable of quantification (*Reckitt Benckiser LLC v Jamieson Laboratories Ltd*, 2015 FC 215 at para 55 [*Reckitt FC*], var'd on other grounds 2015 FCA 104 [*Reckitt FCA*]).

[36] Sleep Country acknowledges that *Centre Ice* established that proving confusion is not enough to prove depreciation of goodwill or to prove irreparable harm: in other words, irreparable harm cannot be inferred. Sleep Country submits that in the present case, no inferences are needed as the evidence is on the record.

Confusion

[37] Sleep Country submits that it is apparent that there will be confusion due to Sears' use of its slogan between now and the trial. Although the experts agree that there will be confusion, there is no need for an expert opinion. Confusion is assessed on a balance of probabilities. The Court is as well placed as an expert to determine whether confusion will occur by applying the established test for confusion, which is one of first impression by an average consumer (*Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 at paras 39, 75- 101 [*Masterpiece*]; *Veuve Clicquot Ponsardin c Boutiques Cliquot Liée*, 2006 SCC 23 at para 20 [*Veuve Clicquot*]).

[38] Sleep Country further submits that consumer surveys are not necessary to determine confusion and a survey would likely not meet the test of reliability and validity (*Masterpiece* at para 97).

[39] Sleep Country also notes that there is no requirement for evidence of actual confusion in order for the Court to find confusion on a balance of probabilities (*Black & Decker Corp v Pirhana Abrasives Inc*, 2015 FC 185 at paras 75-79, 130 CPR (4th) 219 [*Black & Decker*]).

[40] Sleep Country notes that the relevant factors all point to confusion: the two slogans are strikingly similar and convey the same ideas – one as a declaratory statement and the other as a rhetorical question; its slogan is well known due to its use for over 22 years and possesses distinctiveness and goodwill; Sears began to use its slogan much more recently, in July 2016;

and Sears and Sleep Country sell the same class of products to the same market of consumers through the same channels of trade.

[41] Sleep Country submits that consumers will draw an association between the two slogans, as noted by Professor Wong; this will lead to confusion in the market as consumers will mistakenly think that Sears advertisements originate from Sleep Country, that the goods and services that Sears is advertising are associated with or originated from Sleep Country, that Sleep Country's goods are available at Sears, or that Sears and Sleep Country are associated.

[42] Sleep Country points to the evidence of Professor Wong and Mr. Kincaid, who explain how confusion will lead to loss of sales.

The losses cannot be calculated

[43] Sleep Country notes that in order to calculate damages for lost sales, it must be possible to identify the sales that were lost as a result of the infringing conduct and separate this from sales lost as a result of normal competitive factors. Where it is not possible to do so, as here, the lost sales and loss of market share constitutes irreparable harm (*Ciba-Geigy Canada Ltd v Novopharm Ltd* (1994), 56 CPR (3d) 289 at 333-338, 83 FTR 161 at paras 147-163 (TD)).

[44] Sleep Country also relies on *Reckitt FC*, where Justice Brown found that damages are not an adequate remedy when it is impossible to calculate losses due to the impossibility of determining lost sales. Sleep Country acknowledges that the facts in *Reckitt* were different in that Reckitt did not have a chance to establish a sales pattern because it entered the market after the

alleged infringing product; however, this is not the only fact pattern that would justify a finding that the lost sales are impossible to calculate.

[45] Sleep Country also submits that much of the jurisprudence relied on by Sears, which found losses could be quantified, dealt with pharmaceutical products. These cases can be distinguished because the sale of the product was the infringing conduct and lost sales could be calculated. In the present case, the use of the slogan is the infringing conduct.

[46] Sleep Country argues that it is impossible to separate the effect of Sears' use of its infringing slogan on sales from the many other simultaneous changes made by Sears and all other marketing activities and influences. Sleep Country submits that Sears' experts, Ms. Schipani and Professor Moorthy, along with its own experts, Professor Wong, Mr. Soriano and David Friesma, all stated that the impact of the use of the slogan on sales cannot be determined, i.e., the damages due to the use of the slogan cannot be isolated or "parsed out".

[47] Sleep Country disputes the model proposed by Sears' expert Mr. Harington as unworkable. Mr. Harington states that he would be able to determine Sleep Country's "but for" sales based on historical sales with adjustments for the other factors, and would also be able to "parse out" the effect of Sears' use of its slogan on both Sleep Country's and Sears' mattress sales. Sleep Country notes that Mr. Harington acknowledges that he does not know what data will be available to apply to his model and acknowledges that he also needs to isolate the effect of use by Sears of the slogan from the other marketing elements on Sleep Country's sales.

[48] Sleep Country notes that Mr. Harington's "differences in difference" analysis to parse out the impact of the infringing slogan -- to compare sales when Sears uses the Slogan to when it does not -- assumes that all other factors stay the same and assumes that Sears will stop using its slogan at some point to permit comparisons. Sleep Country submits that there is no evidence to support either assumption.

[49] Sleep Country submits that Mr. Harington's opinion should be ignored or discounted. His core assumption -- that Sleep Country and Sears will react in the same way to all other changes in the market -- is a flawed assumption, including because Sleep Country is a specialty store and Sears is a department store that sells a range of products. In addition, there is no data to support that Sleep Country and Sears react the same way to other changes. Moreover, Mr. Harington's core assumptions were not stated in his opinion as required by the Code of Conduct for Experts.

[50] Sleep Country notes that an accounting of profits is not an alternative to lost sales because Sears may not have profits. Moreover, Sleep Country will suffer harm due to loss of distinctiveness of its slogan, which is a key marketing device, and such harm cannot be quantified.

Depreciation of goodwill and loss of distinctiveness

[51] Sleep Country acknowledges that depreciation of goodwill is distinct from confusion. Although confusion will result if use of the Sears slogan continues, there is no requirement to show confusion in order to show a depreciation of goodwill. Sleep Country submits that it need only show that depreciation is *likely* to occur due to a link or likely connection or mental

association between Sears' use of its slogan and the effect on Sleep Country's goodwill, not that it will definitely occur (*Veuve Clicquot* at paras 38, 60, 67).

[52] Sleep Country submits that based on the test for depreciation of goodwill established in *Veuve Clicquot*, at para 46, depreciation of its goodwill is likely: the slogans are similar; the original slogan is sufficiently well known to possess goodwill; the use of the similar slogan by Sears is likely to have an effect on that goodwill; and the likely result of that linkage is to depreciate the value of Sleep Country's trademarked slogan's goodwill. Sleep Country adds that the two slogans are used in the same methods of advertising and that both Ms. Schipani and Mr. Fricson stated that the slogans conveyed the same value proposition- i.e., all you need at the best prices.

[53] Sleep Country claims that the average consumer will make a mental connection or association between Sears' slogan and Sleep Country's slogan; this mental connection or association will, in turn, extend to Sleep Country's goodwill, reputation, and brand. If Sears continues to use its slogan, Sleep Country's slogan will lose its distinctiveness.

[54] Sleep Country acknowledges that it places a value on goodwill on its balance sheet, noting that this is the value for the whole business, not just the slogan. Sleep Country submits that it is not possible to quantify the harm to its goodwill that will result from the alleged infringement. Sleep Country points to Mr. Friesma's evidence that despite Sleep Country's success, it has never been able to calculate the financial impact of its slogan on the value of its

brand and has never been able to calculate the sales directly attributable to the slogan or to any other part of the marketing campaign.

Loss of distinctiveness

[55] Sleep Country notes that loss of distinctiveness is also a separate type of harm and it cannot be quantified in damages. Sleep Country points to *Reckitt FC*, at para 55 where Justice Brown found that 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.

[56] Sleep Country submits that the evidence shows that its slogan will lose distinctiveness. Mr. Kincaid and Professor Wong both stated that once the ability to link a slogan to a single seller is lost, it is almost impossible to regain or repair. They explained that repeated use by Sears of its slogan creates a link between the two slogans and erodes, or "whittles away", the distinctiveness and effectiveness of Sleep Country's slogan. Once lost, it will be impossible to recapture.

[57] Professor Wong noted that a loss of distinctiveness will result based on the concept of "stimulus generalization": this is the erosion of the link between the slogan and the original brand in the mind of the consumer.

[58] Sleep Country submits that its slogan is iconic and irreplaceable, and that if its slogan is no longer exclusively associated with Sleep Country, it will need to re-invent itself to

re-establish some distinctiveness with a new slogan. It is unlikely it could achieve the same level of marketing success if it had to begin again.

B. *Sears' Submissions*

[59] Sears submits that Sleep Country has failed to meet the three part test to warrant the extraordinary remedy of an injunction.

[60] Sears submits that there is no clear evidence of confusion, depreciation of goodwill, or loss of distinctiveness, and there is no evidence of irreparable harm. Sears submits that, in any event, the evidence of Sleep Country's experts is speculative and does not meet the *Centre Ice* test. Sears submits that any resulting harm can be quantified either as damages for lost sales or by an accounting of profits, as Mr. Harington explained; as such, the damage is not irreparable harm.

[61] Sears acknowledges that it made several changes to its business strategy in 2016, including its pricing and promotion strategy, mattress assortment, features, and benefits. Sears states that its slogan or descriptive statement is a value proposition that is the sum or result of all the other changes. Sears describes the choice of slogan as an organic exercise. Sears submits that despite the various changes, it is possible to isolate the impact of the slogan on Sleep Country's lost sales or on Sears' profits.

[62] Sears notes that Sleep Country was not successful in its motion for an interim injunction. Sears submits that Justice Boswell rejected the evidence of Sleep Country with respect to

confusion and found that Sleep Country had not provided clear and non-speculative evidence that it would suffer irreparable harm. Sears submits that Justice Boswell's order cannot be distinguished; the evidence remains the same on this motion and the interlocutory injunction should not be granted.

No confusion, depreciation of goodwill or loss of distinctiveness

[63] Sears disputes Sleep Country's claim that confusion will result in lost sales and depreciation of goodwill or that loss of distinctiveness will occur.

[64] Sears submits that Sleep Country has no new theory of confusion or actual evidence from any consumer that they are confused. Professor Wong did not have or conduct any survey to support his opinion of confusion. Sears submits that Professor Wong's second affidavit merely reiterates his first affidavit, which Justice Boswell considered and rejected.

[65] Sears points to the evidence of Professor Moorthy, who explained that confusion is *unlikely* because the slogan is not used without other information indicating that the advertisement is coming from Sears rather than Sleep Country.

[66] Sears submits that even if there is evidence of confusion, loss of distinctiveness or harm to goodwill cannot be inferred. In accordance with *Centre Ice*, at para 9, Sleep Country must establish irreparable harm with clear and non-speculative evidence that: Sears slogan will cause confusion in the market; that Sleep Country will suffer a loss of goodwill as a result; and, that such loss is impossible to calculate in monetary terms.

[67] Sears submits that Professor Wong advanced a speculative theory of “stimulus generalization”, which means that Sleep Country’s slogan will lose its distinctiveness because consumers will not differentiate Sleep Country’s goods from those of other mattress retailers. Sears argues that this theory is inconsistent with Sleep Country’s claim that its slogan is iconic and carries brand recognition.

[68] Sears submits that Sleep Country’s reliance on *Reckitt FC*, at para 55, is misplaced because *Reckitt FC* does not establish that irreparable harm exists where a plaintiff demonstrates loss of distinctiveness. Sears argues that *Centre Ice* remains the guiding principle. The unique facts in *Reckitt FC* resulted in the finding that the harm could not be quantified.

[69] Sears also argues that there is no evidence why any loss of distinctiveness could not be regained.

Sleep Country’s losses, if any, can be quantified

[70] Sears argues that Sleep Country has not adduced any non-speculative evidence that any loss it would suffer from any confusion and resulting depreciation of goodwill or loss of distinctiveness would be irreparable.

[71] Sears submits that Sleep Country seeks to “problematize”, to coin an expression from Justice Russell in *Aventis Pharma v Novopharm*, 2005 FC 815 [*Aventis*], meaning to raise obstacles or problems regarding the calculation of any damages it may suffer.

[72] Sears notes that in *Aventis* at para 67, the Court found that the complexity in calculation of the harm is not clear evidence that damages are impossible to quantify. Sears argues that, just as the Court found in *Aventis*, Sleep Country is raising obstacles to the quantification of damages. Although there may be several variables in the market, the damages are not impossible to quantify. Sears adds that it is not necessary to estimate damages with mathematical precision.

[73] Sears submits that Sleep Country is, in effect, arguing that anytime there is an allegation of infringement, an injunction would be granted when the various factors in the marketing mix make it difficult to quantify the losses.

[74] Sears submits that it is not impossible to determine what part of Sleep Country's damages, or what part of Sears' profits, are attributable to the alleged infringement: this is the role of damages experts who routinely do this.

[75] Sears submits that if Sleep Country is successful at trial, Sleep Country's damages will be capable of calculation in monetary terms at that time. Sleep Country would be entitled to either damages or an accounting of Sears' profits. Mr. Harington explained that he can project, using historical data, what Sleep Country's profits would have been "but for" the infringing conduct. The difference between what Sleep Country actually earned and what it would have earned "but for" the infringing conduct is the largest amount of harm that Sleep Country could have suffered. Mr. Harington explained that he could then determine what part of that amount is due to the use of the infringing slogan (i.e., "parse out"). Sears submits that, although some of the information

needed for the calculations is not known now, the information will be known at the time of the trial.

[76] Sears notes that it would be up to Sears to determine the amount that is attributable to the infringing conduct – i.e. what part of the largest amount calculated – and if it fails to do so, Sleep Country would be entitled to the largest amount.

[77] Sears further submits that even if the Court finds that Sleep Country's damages are impossible to quantify, the harm is not necessarily irreparable. Sleep Country could elect to recover Sears' profits from the alleged infringement as any profits that Sears gained as a result of using its slogan would be owed to Sleep Country. The same apportionment, or "parsing out", would be required. If Sears is unable to do so, Sears would be liable for the full amount.

[78] Sears submits that it will have the data needed to quantify its profits at the time of the trial of the action, and will also be able to show what part is attributable to the use of its slogan.

[79] Sears argues that Sleep Country cannot rely on the current inability to apportion the amount attributable to the use of the slogan as indicating that the harm will be impossible to quantify. Sears argues that if inability to parse out constitutes irreparable harm, despite that it would be liable for the full damages if parsing out is not possible, then injunctive relief would be granted in all such cases.

[80] Sears disputes the evidence of Sleep Country's experts. Sears argues that Mr. Soriano conceded on cross-examination that lost sales due to the infringing conduct could be quantified, although not with precision, and agreed that Mr. Harington's model could be applied to provide the "but for" sales within a range of plus or minus 15 %. Sears submits that precision is not required. In addition, Mr. Soriano's comment that anyone can make a "guess" was directed at apportionment, which would be up to Sears and would be possible at trial.

VI. Sleep Country Has Established Irreparable Harm

Justice Boswell's order

[81] Sears argues that this motion should be dismissed on the same basis as the motion for an interim injunction because the same evidence was presented and rejected in the earlier motion. Sears argued that particular evidence – for example, Professor Wong's opinion regarding confusion and his theory of stimulus generation – was rejected by Justice Boswell. However, Justice Boswell found that irreparable harm had not been established with clear and non-speculative evidence without referring to any evidence in particular.

[82] Justice Boswell considered the motion for an interim injunction – i.e., to enjoin Sears up until this interlocutory application could be decided. That period was expected to be a matter of a few weeks. The record now before me is not the same. In addition, the relevant period of time to be considered with respect to the determination of irreparable harm is not a few weeks, but a matter of 18-24 months, or potentially longer. Despite Sears' persistent arguments that Justice Boswell rejected particular evidence, and with due respect to Justice Boswell's decision based on

the issues and the evidence before him, I do not agree with Sears' contention that Justice Boswell's Order cannot be distinguished given that: I am unable to determine what aspects of the evidence Justice Boswell found fault with; the evidence before me is more detailed and the cross-examinations provide additional clarification of significant points; and, Justice Boswell considered whether irreparable harm would result within a very different and much shorter period of time.

The use of Sears' slogan is likely to result in confusion between now and trial

[83] In *Masterpiece*, at para 40, the Supreme Court reiterated the test for confusion in *Veuve Clicquot*:

40 At the outset of this confusion analysis, it is useful to bear in mind the test for confusion under the *Trademarks Act*. In *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824, Binnie J. restated the traditional approach, at para. 20, in the following words:

The test to be applied is a matter of first impression in the mind of a casual consumer somewhat in a hurry who sees the [mark] at a time when he or she has no more than an imperfect recollection of the [prior] trademarks, and does not pause to give the matter any detailed consideration or scrutiny, nor to examine closely the similarities and differences between the marks.

Binnie J. referred with approval to the words of Pigeon J. in *Benson & Hedges (Canada) Ltd. v. St. Regis Tobacco Corp.*, [1969] S.C.R. 192, at p. 202, to contrast with what is not to be done -- a careful examination of competing marks or a side by side comparison.

[84] In *Veuve Clicquot*, at para 21, the Supreme Court of Canada added that "the factors to be considered when making a determination as to whether or not a trade-mark is confusing to the

somewhat-hurried consumer “in all the surrounding circumstances” include, but are not limited to, those enumerated in s. 6(5) of the Act”, and went on to list the factors in subsection 6(5) of the *Trade-marks Act*.

[85] In *Masterpiece*, at paras 75-101, the Supreme Court of Canada addressed the role of expert evidence in trade-mark cases. The Court noted, at para 75, that the same general rules apply as in other cases:

[75] Tendering expert evidence in trade-mark cases is no different than tendering expert evidence in other contexts. This Court in *R. v. Mohan*, [1994] 2 S.C.R. 9, set out four requirements to be met before expert evidence is accepted in a trial: (a) relevance; (b) necessity in assisting the trier of fact; (c) the absence of any exclusionary rule; and (d) a properly qualified expert. In considering the standard for the second of these requirements, “necessity”, the Court explained that an expert should not be permitted to testify if their testimony is not “likely to be outside the experience and knowledge of a judge”:

This pre-condition is often expressed in terms as to whether the evidence would be helpful to the trier of fact. The word “helpful” is not quite appropriate and sets too low a standard. However, I would not judge necessity by too strict a standard. What is required is that the opinion be necessary in the sense that it provides information “which is likely to be outside the experience and knowledge of a judge or jury”: as quoted by Dickson J. in *R. v. Abbey*, *supra*. As stated by Dickson J., the evidence must be necessary to enable the trier of fact to appreciate the matters in issue due to their technical nature. [p. 23]

[86] In assessing the necessity criteria in the context of confusion, the Court noted, at para 80:

[80] The first problem was that much of the expert testimony did not meet the second *Mohan* requirement of being necessary. In a case such as this, where the “casual consumer” is not expected to be particularly skilled or knowledgeable, and there is a resemblance between the marks, expert evidence which simply assesses that resemblance will not generally be necessary. And it will be positively unhelpful if the expert engages in an analysis

that distracts from the hypothetical question of likelihood of confusion at the centre of the analysis.

[87] Sears asks the Court to draw an inference from the lack of actual evidence of confusion; however, no such inference is warranted. The Court can assess the likelihood of confusion in the absence of actual evidence of confusion to a consumer, as noted by Justice Manson in *Black & Decker* at para 75-79. As noted by Professor Wong, a methodologically sound consumer survey would not have been possible within the time period preceding this motion and, in his view, was not necessary.

[88] Moreover, the jurisprudence has established that in circumstances like the present, the Court is as well placed as an expert to determine whether confusion will occur (*Masterpiece*, at paras 75- 101). In the present case, although the experts opine on confusion, the Court is equally capable of making this determination.

[89] Sleep Country's experts stated that there will be confusion due to Sears' use of its slogan between now and trial, and explained how the confusion would arise and its consequences. Mr. Kincaid was cross-examined extensively on his opinion that consumers hearing the slogan or jingle of Sleep Country might be confused and think of Sears, even if the slogan is accompanied by the brand name "Sleep Country". Mr. Kincaid did not change his overall opinion that the two slogans would create confusion.

[90] Professor Wong explained that consumers will draw an association between the two slogans, which will lead to confusion in the market. Consumers will mistakenly think that Sears'

advertisements originate from Sleep Country, that the goods and services that Sears is advertising are associated with or originated from Sleep Country, that Sleep Country's goods are available at Sears, or that Sears and Sleep Country are associated.

[91] Sears' expert, Professor Moorthy, expressed the contrary view that Sears "descriptive statement" is unlikely to cause confusion and, to the extent that it does, the confusion is likely to benefit Sleep Country. He explained that both slogans are advertising "puffery". The Sleep Country slogan is well recognized, and few people will likely recall the Sears' slogan. He added that those who do recognize the slogan will incorrectly identify it as coming from Sleep Country. Professor Moorthy also opined that confusion is unlikely because the slogan will be used in conjunction with the name "Sears" or "Sleep Country".

[92] I do not find Professor Moorthy's opinion to be consistent or persuasive. There is no support for his assumption that the slogans will be used with the store name, although that could occur from time to time. In addition, his assessment of confusion did not take into account the "first impression" of the casual consumer. Even if the name of the store accompanies either slogan, Sleep Country's experts note that the consumer may mistakenly believe that there is some association between the two stores. In addition, Professor Moorthy's statement that any confusion would likely benefit Sleep Country is inconsistent with his assumption that the slogan would be used in conjunction with the store name.

[93] In response to the Court's question why Sears would adopt such a similar slogan if it did not want the benefit of possible confusion, Sears replied that there is no evidence that the slogan

was developed to be confusing. Sears notes the evidence of Ms. Schipani, who stated that the slogan was developed “organically” to sum up several marketing changes leading to the conclusion that there is no reason to buy a mattress anywhere else. In my view, if “organic” is used in this context as meaning “to happen naturally”, it would seem to be more than a coincidence that Sears’ slogan is so similar to that of Sleep Country.

[94] The Court can put itself into the shoes of the “somewhat hurried consumer” and can consider all the surrounding circumstances as well as the factors in subsection 6(5), as was done in *Black & Decker* at para 84. No expert evidence is necessary, although it has been considered as described above. All the factors support the view that, on a balance of probabilities, there will be a likelihood of confusion between now and the disposition of the infringement action. The Sears’ slogan is almost identical in wording to that of Sleep Country. The two slogans convey the same “value proposition” or idea. Sleep Country’s slogan has been used for 22 years, has won awards, and the evidence suggests that it is etched in the mind of many consumers. In contrast, Sears only began to use its slogan in July 2016. Both Sears and Sleep Country sell mattresses to the same market of consumers and advertise and promote their mattresses in the same ways.

[95] I also find that the evidence establishes that the likely confusion will result in lost sales. Professor Wong and Mr. Kincaid both explained how confusion will lead to loss of sales, noting marketing concepts and the “marketing funnel”. Both noted that awareness and familiarity are important in the industry. Confusion leads to reduced awareness and familiarity and to reduced consideration.

[96] Sears disputes Professor Wong's opinions regarding consumer behaviour and his explanation of stimulus generation, and argues that Professor Wong agreed that advertising is not the determinative factor in making a purchase; rather it is what happens in the store. Professor Wong, in cross-examination, explained that there are several factors affecting consumer behaviour and that isolating the cause and effect of the factors is difficult. For example, the features and services offered, the sales setting, the sales clerk, whether the store is the first, second or third visited, and whether the consumer was predisposed to purchasing before entering the store all have a bearing on behaviour. He noted that "[c]onsumers do not all act in exactly the same way, which is part of the complication we face in marketing".

[97] Overall, Professor Wong was consistent in his opinion that Sears' use of its slogan would cause confusion and that Sleep Country will lose the "top of mind" advantage and first store visit. He referred to the marketing study, the concept of "stimulus generation", and other principles of marketing and research in consumer behaviour to support his opinion. He acknowledged that many factors affect consumer behaviour, including what happens in the store. He explained that the marketing survey conducted by Sleep Country demonstrates that 69 % of first time visits result in a purchase from that store. Therefore, getting the consumer in the door is an important first step. If the confusing slogans result in fewer first time customers, there will be fewer sales.

Depreciation of goodwill and loss of distinctiveness are likely

[98] In *Veve Clicquot* at para 38, the Supreme Court of Canada addressed the elements of section 22 of the *Trade-marks Act*, which prohibits use of a trade-mark in a manner "that is likely

to have the effect of depreciating the value of the goodwill attaching thereto". The Court noted that:

Nothing in s. 22 requires a demonstration that use of both marks in the same geographic area would likely lead to confusion. The appellant need only show that the respondents have made use of marks sufficiently similar to VEUVE CLICQUOT to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the appellant's mark.

[My emphasis]

[99] At para 46 of the same case, the Court explained that confusion and depreciation of goodwill are conceptually different:

46 Section 22 has four elements. Firstly, that a claimant's registered trade-mark was used by the defendant in connection with wares or services — whether or not such wares and services are competitive with those of the claimant. Secondly, that the claimant's registered trade-mark is sufficiently well known to have significant goodwill attached to it. Section 22 does not require the mark to be well known or famous (in contrast to the analogous European and U.S. laws), but a defendant cannot depreciate the value of the goodwill that does not exist. Thirdly, the claimant's mark was used in a manner *likely* to have an effect on that goodwill (i.e. linkage) and fourthly that the *likely* effect would be to depreciate the value of its goodwill (i.e. damage).

[100] Sleep Country's expert Mr. Kincaid explains how loss of distinctiveness to Sleep Country's slogan will result from Sears' use of its similar slogan, noting that it becomes less clear to consumers which retailer is making the brand promise.

[101] Mr. Kincaid consistently expressed the opinion that there will be confusion and loss of distinctiveness, and that the impact of the slogan apart from other factors will not be possible to

isolate. Mr. Kincaid noted that in his experience in brand valuation, one of the biggest challenges is to try to determine the return on marketing investment.

[102] Sears was critical of Mr. Kincaid's evidence, noting that he could not opine on the impact of only a small amount of use by Sears of its slogan. Mr. Kincaid agreed that the extent of use by Sears of its infringing slogan would be an "influence", adding that he would have to understand the "quantifications" related to a small amount of use. I understand this to mean that he would need to know exactly what use was made of the slogan by Sears – i.e., all the details. However, we do not know what use Sears intends to make of the slogan – only Sears knows this.

[103] Sears submission that Mr. Kincaid has no data to support his opinion regarding distinctiveness appears to be based on Mr. Kincaid's response regarding the need to know more about the frequency or scope of Sears' use of its slogan between now and the time of trial. However, Sears has continued to use the slogan following the cease and desist letter, and there is no information that Sears will not continue to do so.

[104] Professor Wong states that if Sears continues to use the Sears' slogan, the Sleep Country slogan will lose its distinctiveness as consumers will not distinguish the goods and services of the two retailers. He describes the phenomenon of "stimulus generalization", noting that a slogan is intended to trigger a reaction, direct the consumer to the firm's goods and services, and convey the message of the brand. When a competitor adopts the slogan, consumers have difficulty connecting the slogan to a single seller. If Sleep Country's slogan can be applied to either Sleep Country or Sears in the mind of the consumer, then the slogan no longer serves its purpose and

has no value. Professor Wong states that the brand and value that Sleep Country has invested in its slogan will be “irrevocably taken away”. He notes that Sleep Country’s slogan is its single biggest advantage in the market.

[105] He opines that the damage to Sleep Country from this loss of distinctiveness cannot be quantified and would be nearly impossible to repair.

[106] Sears expert, Professor Moorthy, disputes the opinion of Professor Wong with respect to “stimulus generalization”. He states that this would not occur within the next 18-24 months, in part because Sleep Country’s slogan enjoys higher brand recognition, Sears’ “descriptive statement” is surrounded by other references to Sears, and when consumers think of mattresses apart from the advertising, Sleep Country is the dominant brand in the industry and consumers will think of Sleep Country.

[107] Professor Moorthy also suggested, somewhat illogically, that even if Sleep Country’s slogan lost its distinctiveness through Sears’ use of the Sears’ slogan, Sleep Country could benefit. He also stated that any loss that may occur would be small and could be regained after Sears stops using its statement.

[108] Given that Professor Moorthy assumed that the slogan would be used along with the store name, his opinion on distinctiveness is neither persuasive nor logical. He assumed that Sears’ same use of its slogan would continue for 24 months (until the trial), but acknowledged that he has no information about how the slogan would be used by Sears. On cross-examination,

Professor Moorthy clarified that his opinion was based on Sears' use up to the time of his affidavit; however, he was not fully aware of what that use had been.

[109] The evidence establishes that, on a balance of probabilities, Sears' use of its slogan between now and the trial will cause a loss of distinctiveness and will depreciate the value of the Sleep Country's slogan. Applying the test established in *Veuve Clicquot*, I note that: Sleep Country's slogan has been used for 22 years, is well known, and has led to the longstanding goodwill of their brand; the two slogans are almost identical; both slogans focus on the same goods and services; and both retailers advertise in the same ways. Ms. Schipani, on behalf of Sears, and Mr. Friesen, on behalf of Sleep Country, both stated that the slogans conveyed the same value proposition- i.e., all you need at the best prices.

[110] The average consumer will likely make a mental connection between Sears' use of its slogan and Sleep Country's slogan. The continuing use of the Sears slogan will erode the distinctiveness of Sleep Country's slogan. As a result, the use by Sears of its slogan is likely to have an effect on the goodwill established by Sleep Country, and the likely result of that linkage is to depreciate the value of Sleep Country's trade-marked slogan's goodwill.

[111] As Sleep Country noted, in *Reckitt FC*, at para 55, Justice Brown found that 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.

[112] Justice Brown stated at para 55:

[55] In my view, where use of a confusing mark will cause the Plaintiffs' mark to lose its distinctiveness, that is, its ability to act as a distinctive and unique signifier of the Plaintiffs' wares or business, such damage to goodwill and the value of the mark is impossible to calculate in monetary terms. The courts have found that distinctiveness is lost when the infringer engages in national marketing which repeatedly emphasizes the confusing mark to the Canadian public. In my view, the evidence of confusion and my findings in relation to confusion provide clear and sufficient support to find irreparable loss of the MEGARED "name" goodwill and reputation if Jamieson's conduct is not enjoined.

[113] Sears disputes that *Reckitt FC* established any general proposition. Sears argues that *Centre Ice* continues to govern, and that no inferences can be drawn that confusion leads to loss of goodwill and to harm.

[114] As I have found, Sleep Country established, on a balance of probabilities, both confusion and loss of distinctiveness. Sleep Country is not relying on inferences from confusion, but rather on evidence of depreciation of goodwill and loss of distinctiveness.

[115] Justice Brown's statement is clear: "where use of a confusing mark will cause the Plaintiffs' mark to lose its distinctiveness..." Justice Brown is not suggesting that confusion will automatically result in loss of distinctiveness.

[116] Contrary to Sears' argument, *Reckitt FC* does find, as a more general proposition, that where there is loss of distinctiveness, the damage to goodwill is not possible to calculate. Justice Brown found in *Reckitt FC* that distinctiveness was lost through use of the infringing mark in national marketing, which is similar to the present circumstances.

[117] I agree that the Sleep Country's damages due to the loss to distinctiveness of its slogan and the impact on its goodwill as a result are not possible to quantify. Apart from reliance on *Reckitt FC*, the evidence of Sleep Country supports the inability to quantify the harm arising from loss of distinctiveness. For example, Mr. Friesma stated that Sleep Country has never been able to calculate the financial impact of its slogan on the value of its brand or to calculate the sales directly attributable to the slogan or to any other part of the marketing campaign.

Lost sales cannot be quantified

The Jurisprudence

[118] The parties both cited the jurisprudence that has established the general principles regarding interlocutory injunctions, as well as the jurisprudence in support of their respective positions, in particular, regarding irreparable harm. The extensive jurisprudence applies the same principles, demonstrating that the determination of irreparable harm is a factual assessment based on the evidence presented.

[119] The jurisprudence that has found that the harm resulting from infringement, if established, is quantifiable is, for the most part, about infringing products and sales of those products. This is unlike the present case where the infringing conduct is use of a slogan, which has been described as a "value proposition" and which is only one element of a multi-faceted marketing strategy. Professor Wong described the slogan as an idea with subjective and qualitative elements.

[120] Sears submits that the law was clearly established in *Centre Ice* and has not been changed by *Reckitt FC*, as affirmed by *Reckitt FCA*. Sears also contends that in applying the *Centre Ice* principles, Sleep Country has not established that any harm it may incur is not quantifiable, but rather that Sleep Country simply raises problems and points to the difficulty in quantification, which is not impossibility.

[121] In *Centre Ice*, the Federal Court of Appeal held that a finding of confusion does not necessarily lead to a loss of goodwill for which the plaintiff cannot be compensated. Inferences are not permissible, and there must be evidence of loss of goodwill and evidence of irreparable harm. The Court found that, on the record before it, there was no such evidence; there was only the affiant's statement of his belief that irreparable harm would result if the injunction were not granted, unsupported by other evidence.

[122] The Court stated at page 54:

Likewise, I believe that the learned Motions Judge erred in the passage quoted *supra*, when, in effect, he *inferred* a loss of goodwill not compensable in damages from the fact that confusion had been proven. This view of the matter runs contrary to this Court's jurisprudence to the effect that confusion does not, *per se*, result in a loss of goodwill and a loss of goodwill does not, *per se*, establish irreparable harm not compensable in damages. The loss of goodwill and the resulting irreparable harm cannot be inferred it must be established by "clear evidence". On this record, there is a notable absence of such evidence.

[Emphasis in the original]

[123] Sears notes the jurisprudence that applied the principles of *Centre Ice* to find that irreparable harm had not been established. For example, in *A. Lassonde Inc. v Island Oasis*

Canada Inc. (2000), [2001] 2 FC 568 at para 17, 11 CPR (4th) 255 (CA), the Court applied *Centre Ice* and found no evidence to support the affiant's statement that harm would result from the alleged infringement. In *Sports Authority Inc. v Vineberg* (1995), 61 CPR (3d) 155 at 156-157, 95 FTR 96 (TD), the Federal Court applied *Centre Ice*, noting that mere assertions were not sufficient and that evidence of confusion did not constitute evidence of irreparable harm. In *Toronto.com v Sinclair* (2000), [2000] FCJ No 795 (QL) at paras 15-20, 6 CPR (4th) 487(TD), the Court applied *Centre Ice* and subsequent jurisprudence noting that "a court cannot infer, from a finding of confusion, the existence of a loss of goodwill or reputation", but must produce concrete evidence of irreparable harm.

[124] The general principles are not in dispute, and have been applied to determine whether Sleep Country has established that the harm is not quantifiable and is, therefore, irreparable harm.

[125] In *Reckitt FC*, the trade-mark owner/licensee, Reckitt, began to market its product, MEGARED krill oil capsules, in Canada in December 2013 - January 2014. Jamieson had previously launched its OMEGARED product in June 2013. Reckitt did not have any opportunity to establish sales or profits before Jamieson's OMEGARED entered the market. This was a relevant consideration in finding that Reckitt's losses due to the alleged infringing conduct were not quantifiable.

[126] In *Reckitt FC*, Justice Brown considered the extensive jurisprudence, including *Centre Ice*, and determined that based on the evidence on the record, it was not possible to quantify Reckitt's damages: as a result, the harm would be irreparable.

[127] Justice Brown referred to the test for an injunction in *RJR-MacDonald*, noting at para 51 that:

In other words, the moving party must show that harm “will” or “would” result: *Centre Ice Ltd v National Hockey League* (1994), 53 CPR (3rd) 34 at 50 (FCA). Accepting this definition, and guided by the precedents from this Court, it is my view that irreparable harm to the Plaintiffs will result in this case. It will be difficult to the point of impossibility to calculate the Plaintiffs' losses if they succeed at trial.

[My emphasis]

[128] The Federal Court of Appeal (*Reckitt FCA*) upheld the decision. While noting the unique facts, the Court of Appeal does not suggest that these are the only facts that would justify a finding that the losses are incalculable and irreparable.

[129] At para 31, the Court of Appeal noted that Justice Brown had applied the general principle:

[31] With respect to Jamieson's argument that the Federal Court judge erred in relying on jurisprudence from the *quia timet* setting, his reasons disclose that he did so only to illustrate and affirm the general principle that, where there is no possibility of quantifying a party's losses, those losses can be considered irreparable (reasons at para. 53). In this respect, Jamieson has not demonstrated that the Federal Court judge erred in determining that Reckitt's losses would be incalculable, and therefore irreparable, should it succeed in the underlying action.

[130] The Court of Appeal confirmed that a case by case assessment is required; the Judge did not err in finding that Reckitt had established that its losses could not be calculated and were, therefore irreparable.

[131] In *Aventis*, the Court noted, at para 61, that difficulty in precisely calculating damages does not constitute irreparable harm provided there is some reasonably accurate way of measuring those damages. Justice Russel found that the plaintiffs had “problematized” the issue, noting at para 79:

[79] But all the Plaintiffs are able to show is that various factors, including the results of clinical trials, may problematize the quantification issue. In my view, this is not evidence that a reasonable quantification is not possible when all of the factors are known and results are published, and the evidence of Ms. Loomer suggests that it is. The impact of these matters on quantification remains speculative at this stage and is not clear and convincing evidence that irreparable harm will result if an injunction is not granted now.

[132] Justice Russell considered all the obstacles raised by the plaintiffs regarding the quantification of their losses, but concluded that the plaintiffs had not provided non-speculative evidence that the harm was not quantifiable. He noted, at para 76, that the Court was left to speculate because the Court had only the affiants’ assertions “that market flux and dynamics, combined with variables, make quantification impossible.”

[133] Justice Russell added, at para 113, that the plaintiffs “suggestions as to how irreparable harm could occur lack elucidation and remain unsubstantiated, speculative and theoretical”.

[134] I do not agree with Sears that Sleep Country merely sets up problems or obstacles to quantification of their lost sales or other damages and has “problematized” the issue. The facts are not analogous to *Aventis*. The evidence supports the view that Mr. Harington’s model will not provide a “reasonably accurate” way to measure Sleep Country’s damages. Mr. Harington’s confidence in his ability to quantify the harm and then to parse it out is undermined by the problems with his assumptions and the many variables and adjustments he will need to make and his reliance on current and future data that may or may not exist.

[135] As in *Reckitt FC*, it will be “difficult to the point of impossibility” to quantify Sleep Country’s lost sales or other damages based on the methodology proposed.

The Evidence

[136] Sears’ expert Mr. Harington states that he would be able to determine Sleep Country’s “but for” sales based on historical sales with adjustments for the other factors, and would also be able to “parse out” the effect of Sears’ use of its slogan on both Sleep Country’s and Sears’ mattress sales. Mr. Harington acknowledges that he does not know what data will be available to apply to his model, and acknowledges that he also needs to isolate the effect of use by Sears of the slogan from the other marketing elements on Sleep Country’s sales.

[137] Professor Moorthy supports the methodology described by Mr. Harington. He agrees that sales are a function of the entire marketing mix, and that the “but for” profits line does not require that the effect of the descriptive statement on sales be isolated. The “but for” line is based on historical sales. Professor Moorthy notes that in the mattress market, which has a long history

with stable and predictable market forces affecting demand, this allows Sleep Country to forecast future sales.

[138] Although Mr. Harington is confident that by using his model he can quantify the lost sales or lost profits and then parse out the impact of the slogan from the overall lost sales or profits based on information that is not available now, but that will be available at trial, his assumptions are not clear, were not set out in his opinion, and are not supported by other evidence.

[139] Sears now submits that Mr. Harington does not assume that Sears and Sleep Country will react exactly the same way to external factors at the national or provincial level, but only that local stores will react the same way to local factors. However, even if Mr. Harington's "core" assumptions are based on only a store-by-store comparison of how Sleep Country and Sears react, as he suggested in his cross-examination, there is no evidence to support that they react in the same way to the several other external factors.

[140] Although Mr. Harington also acknowledged that the first step in the process – quantification of the lost sales or lost profits – would not be simple, but is doable, this is also based on his assumption that certain historical data is available. However, Sleep Country's affiant, Mr. Friesma, stated that Sleep Country does not keep the data in its ordinary course of business regarding historical sales or promotional campaigns. Mr. Friesma also stated that changes in the market have already had some impact and continue to have some impact, although he could not say how much impact.

[141] Mr. Soriano also noted that Sears does not even have its own daily sales for years before 2013. Mr. Soriano further explained that other changes to the mattress retail market mean that past financial results and sales data are not a reliable basis to predict Sleep Country's "but for" financial performance.

[142] Mr. Soriano was critical of Mr. Harrington's "but for" methodology to determine the lost profits or sales for several reasons: he does not explain the adjustments he would need to make to his model; he does not explain what he regards as a "[t]ypical Sears promotional campaign"; the nature and efficacy of Sleep Country's campaigns vary over time and this is likely the same for Sears; he assumes that the benefit from Sleep Country's slogan is only felt during marketing campaigns rather than during other constant uses; and he assumes that Sears' current campaign will have the same impact on Sleep Country's business and sales without any basis to conclude that the impact will be the same.

[143] Mr. Kincaid also noted that a mix of strategies is a technique used by retailers because they do not know what will have an impact. This supports the view that it is not possible to isolate the impact of the slogan from other strategies.

[144] Although Sears disputes Mr. Soriano's opinion arguing that he does not unequivocally state that the damages are impossible to quantify, only that they could not be quantified "with precision", the extensive cross-examination of Mr. Soriano reveals that he understood the two-part approach to damage quantification proposed by Mr. Harrington. With respect to the "but for world", Mr. Soriano explained that the exercise requires putting a financial dollar impact on a

qualitative aspect of a marketing mix of possibly eight competitors in a market that is shifting from department stores to specialty stores and also the internet, noting that adjustments would be needed to “come up with what the world would have looked like if Sears had not used the slogan, after the Sears slogan”. He added that estimates would be required and a “myriad of assumptions” and this would give a range of what the world would have looked like. He noted that the range would be plus or minus 15 %, which would be compared to what actually happened to assess the impact.

[145] Mr. Soriano reiterated in his cross-examination that isolating or extracting the financial impact of the slogan is not possible. He explained that this is qualitative and subjective and does not lend itself to a quantitative financial analysis.

[146] Mr. Soriano ultimately stated, “[i]t can’t be quantified with financial precision. Anyone can make an estimate or a guess. That is all it would really be, though.” He added, “[t]he big difference here is that we are measuring an idea that is a feeling to the customer, rather than something that inherently affects sales directly”.

[147] Mr. Soriano remained firm in his opinion that the damages could not be quantified. His evidence is that it would be difficult to estimate the overall damages, and that a range within a margin of plus or minus 15 % may be possible; however, he noted that historical data was not a reliable indicator and that Sleep Country’s affiants had indicated that the data Mr. Harrington proposed to use does not exist. The “parsing out” would be no more than a guess.

[148] Mr. Soriano's comment that it would be no more than a guess referred to isolating the impact of one component from the larger damages; however, he also noted the many difficulties in estimating the larger damages, including the unreliability of historical results in a changing market.

[149] In addition, Mr. Harington's "differences in differences" approach to do the necessary apportionment or "parsing out" assumes that there will be an ability to compare sales or profits during periods of use of the Sears' slogan and non-use of the slogan. There is no reason to expect Sears to stop using its slogan, and the record suggests it has continued to use its slogan, but for a few weeks, since July 2016.

[150] With respect to Sears argument that Sleep Country cannot simply rely on the potential inability to parse out the damages pertaining to the infringing conduct from the overall lost sales or from an accounting of Sears' profits because Sears would simply pay the largest amount (i.e., the "but for" scenario) should this be impossible, the evidence regarding the "but for" quantification also borders on the impossible and, as noted above, is based on flawed and unsupported assumptions.

[151] This motion has highlighted the sometimes fine line between the possible, the impossible, and the "not impossible". Although the quantification of the overall damages could ultimately be "possible" if all the assumptions prove accurate and all the necessary data Mr. Harington expects to be available is in fact available, how much difficulty and estimation is acceptable? Is it sufficient for the alleged infringer to discount the impossibility to "parse out" the impact of the

infringing conduct based on the principle that it would be liable for the overall damages? If so, an injunction would be nearly impossible to obtain and the protection of the trade-mark would be lost at least until trial.

[152] A line must be drawn between determining that it is possible to quantify the harm to Sleep Country arising from Sears' use of the alleged infringing slogan- despite assumptions to be made and the uncertainty of the availability of necessary data at the time of trial, coupled with the task of then isolating the impact on sales or profits of the use of the alleged infringing slogan by Sears from several other changes by Sears and from external market factors- and determining that it is impossible, or difficult to the point of impossibility, to quantify the harm.

[153] As noted by Justice Rothstein (as he then was) in *Eli Lilly and Co v Novopharm Ltd* (1996), 111 FTR 1 at paras 9, 34-35 (TD) (rev'd on other grounds (1996), 205 NR 251 (FCA)), "I do not think that the requirement to satisfy the clear and non-speculative test can be taken to unreasonable proportions."

[154] Sears' position that it is not impossible appears to mean that no expert can say with 100% certainty that it will not be impossible to quantify Sleep Country's damages at the time of trial, and therefore, the harm is quantifiable and not irreparable. Sears argues that simply raising obstacles to quantifying harm is not sufficient as this would result in injunctions being readily granted.

[155] However, overcoming all the obstacles only to reach a range for an estimate of the overall damages and guesses at the quantification of the harm attributable to the alleged infringing conduct (the “parsing out”) and characterizing this as “not impossible” and, therefore, not irreparable harm, would make it almost impossible to obtain an injunction to protect a trade-mark pending the determination of the action. At some point, the obstacles amount to impossibility, as the evidence demonstrates is the case here.

[156] Based on all the evidence on the record, I find that the application of Mr. Harington’s methodology in the present circumstances will be difficult to the point of impossibility to quantify Sleep Country’s losses. In addition, his core assumption, that Sleep Country and Sears will react in the same way to all other changes in the market – whether this assumption is store-by-store or at the provincial or national level – is not supported by evidence. Moreover, Mr. Harington’s core assumptions were not stated in his opinion as required by the Code of Conduct for Experts.

[157] I also share Sleep Country’s concern that relying on a disgorgement of profits is too speculative given that Sears may or may not have profits resulting from its new marketing strategy or other factors, apart from the challenge of then attributing such profits to the use of its slogan.

VII. The Balance of Convenience Favours Sleep Country

[158] The Supreme Court of Canada noted in *RJR-MacDonald*, at pages 342-347, that many factors must be considered in assessing the balance of inconvenience (or convenience), and that these will vary in each case:

62 The third test to be applied in an application for interlocutory relief was described by Beetz J. in *Metropolitan Stores* at p. 129 as: "a determination of which of the two parties will suffer the greater harm from the granting or refusal of an interlocutory injunction, pending a decision on the merits". In light of the relatively low threshold of the first test and the difficulties in applying the test of irreparable harm in *Charter* cases, many interlocutory proceedings will be determined at this stage.

63 The factors which must be considered in assessing the "balance of inconvenience" are numerous and will vary in each individual case. In *American Cyanamid*, Lord Diplock cautioned, at p. 408, that:

[i]t would be unwise to attempt even to list all the various matters which may need to be taken into consideration in deciding where the balance lies, let alone to suggest the relative weight to be attached to them. These will vary from case to case.

He added, at p. 409, that "there may be many other special factors to be taken into consideration in the particular circumstances of individual cases."

[159] Sleep Country emphasizes that it has the exclusive right to use its trade-mark. Sleep Country submits that Sears has not demonstrated that it will be inconvenienced if enjoined from use: Sears only recently began using the slogan and will not be harmed by reverting to its pre-slogan days. Although fully aware of Sleep Country's long standing trade-marked slogan and in the face of a cease and desist letter, Sears continued to use the slogan.

[160] Sears argues that it will suffer the greater harm if the injunction is granted. Sears submits that if it is enjoined from using its slogan and is ultimately successful at trial, i.e., no infringement is found, then it will be difficult, but not impossible, for Sears to quantify the damages it has suffered as a result. While Sears' profits over the period will be known, there will be limited or no information to estimate the incremental benefit attributable to the descriptive statement.

[161] Among other considerations, the public interest in protecting trade-marks is a relevant consideration in assessing the balance of convenience. I find that the balance of convenience favours Sleep Country, who has used its trade-mark slogan for 22 years. Enjoining Sears from use of its very similar slogan should not cause it any harm if, as Sears maintains, its slogan is merely the sum of the other changes it has made. Moreover, it should not be difficult for Sears to revert to its pre-slogan approach given that its advertising campaign was only launched six months ago.

ORDER**THIS COURT ORDERS that:**

1. The Defendant, Sears Canada Inc., its officers, directors, employees, agents, related business entities, and all those over whom it exercises control, are hereby and forthwith prohibited and restrained from any and all use of the phrase "THERE IS NO REASON TO BUY A MATTRESS ANYWHERE ELSE" or any other phrase or mark confusingly similar to "WHY BUY A MATTRESS ANYWHERE ELSE?" as a trade name, trade-mark, or otherwise in association with its business, wares or products, until such time as this Honourable Court renders a final determination in the within action.
2. Costs shall be payable in the cause.

"Catherine M. Kane"

Judge

ANNEX A

The Affiants' Evidence

For Sleep Country

David Friesma

1. Mr. Friesma describes, among other things, the history of Sleep Country, its slogan's use since 1994, the trademarks held in respect of the slogan and Sleep Country's first awareness of Sears' alleged infringing use of its slogan in July 2016.
2. In his second affidavit, Mr. Friesma clarifies alleged misstatements in the affidavit of Sears' affiant, Ms. Schipani, including about Sleep Country's origins in Canada, its relationship with Sleep Country USA, and notes that Sleep Country Canada is a separate entity.
3. Mr. Friesma comments on Mr. Harington's affidavit, noting that Sleep Country has never been able to assess the return on its investment in advertising "with any degree of accuracy". Mr. Friesma disputes the assumption of Mr. Harington that there is historical data available on Sears' promotional campaigns and mattress sales or that Sleep Country keeps that data in its ordinary course of business.

4. Mr. Friesma also describes the current changes in the mattress retail market, including new online retail entrants in the market, the expansion of Leon's, the Bay's change to sell mattresses at its Home stores, and Sears' own various changes.
5. On cross-examination, Mr. Friesma indicated that the new entrants in the market have already resulted in some changes and he believed changes would continue. He could not say how big the changes would be. With respect to Leon's' new marketing campaign and expansion, Mr. Kincaid disagreed with Sears' proposition that this would not result in a significant change in the mattress industry, noting that Leon's does a good job at marketing.

David Kincaid

1. Mr. Kincaid notes his more than 35 years' experience in the marketing industry, including brand valuation and management. He provided an opinion on whether Sears' slogan would cause confusion in the market, whether Sears' slogan would cause Sleep Country's slogan to lose its distinctiveness and if so, whether Sleep Country will suffer harm and whether that harm can be quantified monetarily.
2. Mr. Kincaid states that the Sears slogan will cause confusion in the mattress retail market. He notes that the high level of awareness of the Sleep Country slogan and its iconic nature, over a lengthy period is evidence of its success. He notes that the Sears slogan is almost exactly the same and conveys the same meaning to the same consumers. He

explains that when the two largest brands in the market use an almost identical slogan to deliver a brand promise based on “almost identical proof points”, it is less clear to consumers which retailer is making the brand promise and attribution to the brand is impaired.

3. Mr. Kincaid also states that the Sears slogan will cause a loss of distinctiveness of the Sleep Country slogan. He explains that loss of distinctiveness occurs when a retailer experiences a reduced ability to communicate its brand message through a slogan because the slogan is no longer unique. He adds that use of Sears’ slogan will erode the distinctiveness of the Sleep Country slogan. Once distinctiveness is lost, it is “virtually impossible” to regain.
4. With respect to loss of sales due to Sears’ use of its slogan, Mr. Kincaid explains the “Purchasing Funnel”, a marketing concept. The funnel begins with awareness, or knowledge that the brand exists, and moves to familiarity, consideration, purchase and loyalty. Confusion and loss of distinctiveness will erode familiarity, which will impact on whether the consumer will consider Sleep Country as their first choice for a mattress purchase.
5. Mr. Kincaid states that the loss of sales and market share that Sleep Country will experience due to Sears’ use of its slogan cannot be quantified. He explains the “marketing mix”, as did Professor Wong. He notes that a slogan is one part of the mix and a marketing expert or a damages expert cannot estimate “with any precision” what

percentage of sales is affected by any single element in the mix. Mr. Kincaid disputes Mr. Harington's claim to be able to use historical marketing and sales data to calculate the sales lost because one component of the marketing mix cannot be isolated.

Mr. Kincaid notes that retailers use a mix of strategies for this very reason – because they do not know what will have an impact on the consumer.

6. Mr. Kincaid notes that in his long experience in brand valuation, one of the biggest challenges is to try to determine the return on marketing investment.
7. Mr. Kincaid adds that Sears' experts explained that Sears made several changes at the same time, which makes it impossible to calculate the effect on changes to sales from any one component.
8. Mr. Kincaid also notes the factors at play in the larger mattress market. He states that Sleep Country's sales are affected by its own marketing activity, Sears' marketing activity and the marketing activities of all the other competitors, as well as the emerging competitors.
9. Mr. Kincaid was cross-examined extensively on his opinion that consumers hearing the slogan or jingle of Sleep Country might be confused and think of Sears, even if the slogan is accompanied by the brand name "Sleep Country". Mr. Kincaid did not change his opinion that the two slogans would create confusion.

10. With respect to his opinion on loss of distinctiveness, Mr. Kincaid agreed that the extent of use by Sears of its infringing slogan would be an “influence”, adding that he would have to understand the “quantifications” related to a small amount of use.

Professor Wong

1. Professor Wong is a distinguished Professor of Marketing at the Stephen JR Smith School of Business at Queen’s University. In his first affidavit he addresses several issues: the goodwill attached to Sleep Country’s slogan; the likelihood of confusion with Sears’ slogan; the impact that Sears use of its slogan will have on the goodwill attached to Sleep Country’s slogan; and, whether Sleep Country will suffer harm as a result and the nature of that harm.
2. Professor Wong refers to the 2013 marketing study conducted by Sleep Country (which was provided as an exhibit to the affidavit of David Friesma) in his opinions with respect to the slogan and consumer patterns or behavior. For example, he notes that 30 % of respondents recalled the jingle of the slogan without prompting. He notes that the power of the slogan lies in its memorability and its simplicity. He also notes that the slogan intuitively leads consumers to visit Sleep Country first. The study found more consumers reported that Sleep Country is “top of mind” and was the first store they visited when shopping for a mattress. Professor Wong notes that Sleep Country has a higher rate of converting awareness into sales.

3. With respect to the likelihood of confusion, Professor Wong states that consumers will be confused into thinking that Sears' use of its slogan in its advertisement comes from Sleep Country. Consumers will draw an association between the Sears' slogan they hear and the slogan they "have been taught", i.e., that of Sleep Country. Consumers will also be confused into thinking that there is an association between Sears and Sleep Country. He states that if consumers believe that Sleep Country is allowing Sears to use its slogan, consumers will be misled into believing that they can purchase Sleep Country mattresses along with service at Sears. This would undermine Sleep Country's top of mind advantage and in turn lead to lost sales and market share.

4. Professor Wong notes the distinctiveness of the Sleep Country slogan, despite its simplicity. He states that if Sears continues to use the Sears' slogan, the Sleep Country slogan will lose its distinctiveness as consumers will not distinguish the goods and services of the two retailers. He describes the phenomenon of "stimulus generalization" noting that a slogan is intended to trigger a reaction, direct the consumer to the firm's goods and services and convey the message of the brand. When a competitor adopts the slogan, consumers have difficulty connecting the slogan to a single seller. If Sleep Country's slogan can be applied to either Sleep Country or Sears in the mind of the consumer, then the slogan no longer serves its purpose and has no value. Professor Wong states that the brand and value that Sleep Country has invested in its slogan will be "irrevocably taken away". He notes that Sleep Country's slogan is its single biggest advantage in the market.

5. He opines that the damage to Sleep Country from this loss of distinctiveness cannot be quantified and would be nearly impossible to rectify. The loss of distinctiveness could not be repaired.
6. In his second affidavit, Professor Wong comments on Mr. Harington's affidavit noting, among other points, that Mr Harington's methodology misunderstands consumer behaviour, how marketing works and the impact that marketing has on sales.
7. Professor Wong states that Mr. Harington's claim to be able to trace one element in Sears' marketing mix – i.e., the slogan – to particular sales gained or lost is not possible. He notes that Mr. Harington does not explain how this can be done. Professor Wong explains that marketing is not a single event but an ongoing process of “cascading decisions that marketers refer to as the “marketing mix””. He notes the four “P”s of marketing activities- product, price, promotion and place – adding that each “P” is also multi-faceted.
8. Professor Wong notes that Sears' strategy from June to October 2016, which included price comparisons, new descriptions of its products, and guarantees, is evidence of changes to the marketing mix over all four “P”s. Professor Wong states that “[i]n order to measure the effects of any single element, one would need to be able to isolate and hold constant all of the other elements, as well as all of the elements of the marketing mixes employed by each competitor in the market”. He states that “[c]ontrolling all of the necessary factors using historical data is an impossible task”.

9. Professor Wong reiterates that if Sears continues to use its slogan, Sleep Country will lose sales and goodwill and it will also suffer a loss of distinctiveness in the Canadian market. He explains that this is not speculative harm; rather it is based on fundamental marketing principles and foundational research in marketing econometrics, consumer behaviour and learning theory.
10. Professor Wong notes that Mr. Harington's methodology for the calculation of lost sales ignores the reality of consumer decision-making, the complexities of multi-faceted marketing and the lack of necessary data. He concludes that the value of Sleep Country's lost sales, loss of goodwill and loss of distinctiveness cannot be calculated now or at trial.
11. On cross-examination, Professor Wong acknowledged that he had no evidence of actual confusion by a consumer, such as a survey. He added that it would not have been possible to conduct a methodologically sound survey in the available time, and he believed it to be unnecessary.
12. With respect to Professor Wong's opinions regarding consumer behaviour and his explanation of stimulus generation, Professor Wong, in cross-examination, explained that there are several factors affecting consumer behaviour and the "conversion" aspect. He noted that isolating the cause and effect of the factors is difficult. For example, the features and services offered, the sales setting, the sales clerk, whether the store is the first, second or third visited and whether the consumer was predisposed to purchasing before entering the store, all have a bearing on behaviour. He noted that "[c]onsumers do

not all act in exactly the same way, which is part of the complication we face in marketing”.

Errol Soriano

1. Mr. Soriano is a Chartered Professional Accountant, Chartered Business Valuator, and Certified Fraud Examiner, who has focused on quantification of financial loss and valuation of business interests since 1991. Mr. Soriano opined that the financial harm to Sleep Country caused by Sears’ use of the Sears’ slogan cannot be isolated and quantified using financial analysis. Mr. Soriano states that there is no credible financial analysis that a damages expert could conduct to “parse out” the effect of Sears’ slogan from the other aspects of its marketing mix.
2. He explains that Sears’ new marketing strategy includes several components which all contribute to the change in Sears and others’ market position. Past financial results and sales data are, therefore, not a reliable basis to predict Sleep Country’s “but for” financial performance. Other changes to the mattress retail market also mean that past financial results and sales data are not a reliable basis to predict Sleep Country’s “but for” financial performance.
3. Mr. Soriano states that Mr. Harington’s assumption that certain accounting records exist is incorrect, noting Mr. Friesma’s statements. He also notes that Sears does not have its own daily sales for years before 2013.

4. Mr. Soriano is critical of Mr. Harington's "but for" methodology to determine the lost profits or sales, including that: he does not explain the adjustments he would need to make to his model; he does not explain what he regards as a "Typical Sears promotional campaign"; the nature and efficacy of Sleep Country's campaigns vary over time and this is likely the same for Sears; he assumes that the benefit from Sleep Country's slogan is only felt during marketing campaigns rather than during other constant uses; and, he assumes that Sears' current campaign will have the same impact on Sleep Country's business and sales without any basis to conclude that the impact will be the same.
5. Mr. Soriano notes the additional information or data that would be needed to conduct the "but for" analysis; for example, to determine the overall effect that Sears' new marketing mix has had in isolation on industry profitability and Sleep Country's profitability, then parse out the impact of the slogan.
6. On cross-examination, Mr. Soriano addressed the "but for world" noted in Mr. Harington's affidavit. Mr. Soriano explained that the exercise requires putting a financial dollar impact on a qualitative aspect of a marketing mix of possibly eight competitors in a market that is shifting from department stores to specialty stores and also the internet, noting that adjustments would be needed to "come up with what the world would have looked like if Sears had not used the slogan, after the Sears slogan". He added that estimates would be required and a "myriad of assumptions" and this would give a range of what the world would have looked like. He notes that the range would be

plus or minus 15 % and to assess the impact, this range would be compared to what actually happened.

7. Mr. Soriano reiterated in his cross-examination that isolating or extracting the financial impact of the slogan is not possible. He explains that this is qualitative and subjective and does not lend itself to a quantitative financial analysis.
8. He ultimately stated, “[i]t can’t be quantified with financial precision. Anyone can make an estimate or a guess. That is all it would really be, though.” He adds, “[t]he big difference here is that we are measuring an idea that is a feeling to the customer, rather than something that inherently affects sales directly”.

Sears Experts

Melissa Schipani

1. Ms. Schipani is the category manager for the Sleep Shop at Sears. She describes, among other things, Sears' business and reputation, the mattress industry in Canada, Sears' presence in the mattress industry, including the advantages it provides to its customers, and the new marketing strategy launched in June 2016. She describes the several changes made to convey the value proposition that Sears has everything you need at the best price. She states that Sears “organically developed a number of terms to describe this proposition, including that there is no reason to buy a mattress anywhere else”.

2. In her second affidavit she attached as exhibits the flyers distributed by Sears in October and November, some of which used the slogan and others which did not.

Andrew Harington

1. Mr. Harington is a Chartered Professional Accountant, Chartered Financial Analyst and Chartered Business Valuator, with extensive experience in business and intellectual property valuation and damages quantification. Mr. Harington's affidavits address the methodology that may be used to quantify Sleep Country's loss arising from Sears' alleged conduct in two scenarios; if the injunction is granted and if the injunction is denied.
2. Mr. Harington provides a detailed opinion and a summary. He states that methodologies exist to readily and reliably quantify any losses caused by the refusal of the Court to grant an injunction (i.e., which permits Sears to continue to use its slogan). He states that Sleep Country's losses can be estimated on the basis of the incremental profits it would have earned but for Sears' use of Sears' slogan.
3. Mr. Harington states that quantification of damages in the present case would follow the generally accepted principles to put the plaintiff in the same economic position it would have been in if the alleged act had not occurred. He illustrates the principles in Figure 3, which depicts the profits actually earned before the alleged act, the point in time when the alleged act occurred, and the divergence in the two profit lines (the "but for world" and

the actual world) until a permanent injunction would be granted. He explains that the damages would be the difference between the “but for” profits the plaintiff would have earned and the lower profits it actually earned.

4. He notes that historical earnings are used to do this analysis and are extrapolated taking into account any necessary adjustments. He states that there is extensive history of the sales and marketing activities of both Sears and Sleep Country. He notes several factors that could affect the reliability of a prediction of the “but for” line on the diagram, adding that these factors are similar to those that affect business valuation.
5. Mr. Harington states that Sleep Country’s alleged losses are capable of quantification. He notes the relevant considerations including, the stability of the mattress market, Sleep Country’s business since 1994, Sleep Country’s data on its same store growth, and Sleep Country’s valuation of its entire business on an annual basis.
6. In his second affidavit, Mr. Harington comments on the information provided by Sleep Country’s affiants and concludes that nothing in those affidavits causes him to change his opinion.
7. He notes that Sleep Country’s affiants have listed factors that may complicate the computation of damages and that additional factors may arise over the next 18-24 months. Mr. Harington states that although the impact of all these factors is not known at the present time, this will be known at trial. He notes that this is typical of damages

quantification which is conducted at the time of trial and after discoveries with the actual information known at that date. He states that by the time of trial there will be close to 40,000 “historical data points of daily unit sales” from Sears and Sleep Country stores. With this data, a damages quantification expert could compute the damages alleged to have been suffered by Sleep Country. He notes that, although it would not be simple, it is doable.

8. With respect to isolating the effect of Sears’s slogan, Mr. Harington acknowledges that many elements of the marketing mix can change. Despite this, a damages expert would be able to isolate the effect of the use of the Sears’ slogan from other features using a “difference in differences” approach. This means comparing the before and after changes in a market place where the Sears slogan was used with the before and after changes in a market place where the Sears slogan was not used or is no longer used. Mr. Harington also describes an alternate method to compute damages which looks at the benefits to the alleged infringer of their alleged infringing act. This would rely on Sears’ sales to determine the harm suffered by Sleep Country.
9. Mr. Harington noted that the “difference in differences” analysis to parse out the impact of the infringing slogan – to compare sales when Sears uses the Slogan to when it does not – depends on all other factors staying the same.
10. With respect to Sleep Country’s criticism that Mr. Harington failed to set out his assumption that Sleep Country and Sears will react the same way to every change in the

market and failed to provide any factual basis for this assumption, Mr. Harington responded on cross-examination that this “core” assumption applied at the store level.

11. Mr. Harington agreed on cross examination that he had no evidence that Sleep Country and Sears react the same way to the various marketing factors. He reiterated that his “core” assumption applied “throughout”, but added that this was a store-by-store assumption.

Professor Sridhar Moorthy

1. Professor Moorthy is a Professor of Marketing at the Rotman School of Business at the University of Toronto, with extensive academic experience, authorship of articles and text books, and experience in marketing, particularly branding. Professor Moorthy’s affidavit addresses the issues of confusion, loss of distinctiveness and the likelihood of harm to Sleep Country.
2. Professor Moorthy states that Sears “descriptive statement” is unlikely to cause confusion and to the extent that it does, the confusion is likely to benefit Sleep Country. He explains that both slogans are advertising “puffery”. The Sleep Country slogan is well recognized and few people will likely recall the Sears’ slogan. He adds that those who do will incorrectly identify it as coming from Sleep Country. He also states that the slogan is used in conjunction with other references to either Sleep Country or Sears, so the consumer will not be confused.

3. Professor Moorthy states that it is unlikely that Sears' use of its "descriptive statement" will cause Sleep Country's slogan to lose its distinctiveness. If there is any loss it would be small and could be regained after Sears stops using its statement.

4. Professor Moorthy disputes the opinion of Professor Wong with respect to "stimulus generalization". He states that this would not occur within the next 18-24 months, including because Sleep Country's slogan enjoys higher brand recognition, Sears' "descriptive statement" is surrounded by other references to Sears, and when consumers think of mattresses apart from the advertising, Sleep Country is the dominant brand in the industry and consumers will think of Sleep Country.

5. Professor Moorthy also opines that any harm Sleep Country may suffer is capable of being quantified. He supports the methodology described by Mr. Harington and depicted in his Figure 3. Professor Moorthy agrees that sales are a function of the entire marketing mix, and that the "but for" profits line does not require that the effect of the descriptive statement on sales be isolated. The "but for" line is based on historical sales. In the mattress market, which has a long history with stable and predictable market forces affecting demand, this allows Sleep Country to forecast future sales.

FEDERAL COURT**SOLICITORS OF RECORD**

DOCKET: T-1739-16

STYLE OF CAUSE: SLEEP COUNTRY CANADA INC. v SEARS CANADA INC.

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: DECEMBER 6, 2016

ORDER AND REASONS: KANE J.

DATED: FEBRUARY 9, 2017

APPEARANCES:

MATTHEW GOTTLIEB,
ANDREW WINTON, AND
RYANN ATKINS

FOR THE PLAINTIFF
SLEEP COUNTRY CANADA INC.

W. GRANT WORDEN, EMILY S.
SHERKEY, AND STACEY
DANIS

FOR THE DEFENDANT
SEARS CANADA INC.

SOLICITORS OF RECORD:

Lax O'Sullivan Lius Gottlieb LLP
Counsel
Toronto, Ontario

FOR THE PLAINTIFF
SLEEP COUNTRY CANADA INC.

Torys LLP
Barristers and Solicitors
Toronto, Ontario

FOR THE DEFENDANT
SEARS CANADA INC.