

May 27, 2011

Supreme Court Decision Clarifies Relationship Between Common Law and Registered Trade-mark Rights

MASTERPIECE INC. v. ALAVIDA LIFESTYLES INC.

Background and Judicial History

Masterpiece Inc. and Alavida Lifestyles Inc. (“Alavida”) are both involved in the retirement residence industry.

Masterpiece Inc. claimed to have used unregistered trade-marks since 2001, all of which contained the word “masterpiece”, and some of which contained the word “living”. On December 1, 2005, Alavida applied to have the mark “Masterpiece Living” registered on the basis of proposed use. The application for the mark was unopposed, subsequently allowed and registered. In 2006, Masterpiece Inc. applied to register the marks, “Masterpiece” and “Masterpiece Living”. Masterpiece Inc.’s applications were denied by the Canadian Intellectual Property Office in September 2006 on the basis that they were confusing with Alavida’s previously submitted application for the mark “Masterpiece Living”. Thereafter, Masterpiece Inc. brought an application to the Federal Court to expunge Alavida’s registered trade-mark, on the basis of confusion. The Federal Court dismissed the application and subsequently the Federal Court of Appeal dismissed the appeal of the lower court decision. Masterpiece Inc. further appealed to the Supreme Court.

Decision:

The appeal is allowed and Alavida’s registration should be expunged.

Reasons for Judgment of the Supreme Court:

Some use is enough

The trial judge found that the use by Masterpiece Inc. of ‘Masterpiece’ was not extensive during the relevant period 2001-2005, was rather “sporadic” and little of the evidence supported the use of ‘Masterpiece’ in respect of retirement residence services. The trial judge did find that this sporadic use was “some use” but ultimately concluded that there was no likelihood of confusion. The Supreme Court found that “some use” was sufficient to make a finding of a likelihood of confusion. In particular, the Supreme Court relied upon Masterpiece Inc.’s use of ‘Masterpiece the art of living’ despite the evidence of Alavida that the only possibly relevant documents filed in evidence by Masterpiece Inc. which illustrate the term ‘Masterpiece – the art of living’ were two brochures where ‘Masterpiece – the art of living’ was on the back page of the brochures and two articles in the Medicine Hat News from the summer of 2004.

The location where a mark is used is NOT relevant when considering the likelihood of confusion between a registered trade-mark and a prior unregistered one

The Supreme Court confirmed that in assessing trade-mark infringement under s. 19 or entitlement under s. 16 of the *Trade-marks Act*, the test for the likelihood of confusion is the same. A hypothetical test is to be employed where the marks, if used in Canada, are to be assumed to be used in the same area.

Look beyond actual use to the registration

The Supreme Court confirmed that in completing the confusion analysis it is improper to look only at actual use and not what is permitted by a trade-mark registration.

The expense of goods and services do not displace the first impression test

The trial judge acknowledged in his reasons that in order to complete the confusion analysis, "one must consider the first impression in the mind of a casual consumer somewhat in a hurry who has an imperfect recollection of another trade-mark." In his conclusion, the trial judge, when considering the cost of the service in issue, noted: "The nature of the business in which the marks in issue have been used suggests that consumers will be careful in choosing a provider. They are not likely to make choices based on first impression or be easily confused about the source."

Under s.6(5) of the *Trade-marks Act*, the court is entitled to consider all the surrounding circumstances in determining a likelihood of confusion. It is possible to interpret the trial decision as contemplating that a hurried consumer, upon encountering an expensive ware or service, may deliberately remain undecided as to the source of that ware or service and investigate further.

The Supreme Court concluded otherwise. It concluded that the trial judge changed the confusion test from one of first impression of a trade-mark to a test of consumers who will be unlikely to make choices based on first impression. The hypothetical 'hurried consumer' of the first impression test remains alive and well as result of this decision, although the 'hurried consumer' is not a legislative construct. Moreover, the Supreme Court rejected the possibility of a modified first impression test which could have otherwise excluded a 'hurried consumer' for an expensive service.

It is this author's opinion that s.6 requires that a likelihood of confusion for a trade-mark may only exist if there is use of a trade-mark. For a service, trade-mark use occurs if the trade-mark is used or displayed in the performance or advertising of available services. However, for wares, the use of a trade-mark occurs at the time of the transfer of the property and as such, there is a conundrum. The Supreme Court concluded "it is confusion when they encounter the trade-mark that is relevant." [emphasis added] If there is no transfer of property, and as such, no use of a trade-mark with respect to wares, can there be a finding of confusion under the *Trade-marks Act*, regardless of first impression?

Expert evidence should only be permitted where testimony is likely to be outside the experience and knowledge of the judge

The Supreme Court reiterated the requirements to be met before expert evidence is accepted in a trial from *R. v. Mohan*, [1994] 2 S.C.R. 9. The Supreme Court emphasized that no expert evidence should be permissible unless it is "likely to be outside the experience and knowledge of a judge." The Supreme Court sent a clear message that surveys in trade-mark cases should be used sparingly and suggested in obiter that "[...] it would be salutary to have a case management judge assess the admissibility and usefulness of proposed expert and survey evidence at an early stage so as to avoid large expenditures of resources on evidence of little utility."

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Read the Decision and Reasons for Judgement here:
<http://scc.lexum.org/en/2011/2011scc27/2011scc27.html>