



## DECISION: USE AND FILE PROMPTLY

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In *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27, the Supreme Court of Canada examined important principles in the field of trademark law. This case gives important lessons on the use and filing of trademarks in Canada.

In the case before it, the Court had to decide whether Alberta-based Masterpiece Inc., who had used the trademark MASTERPIECE THE ART OF LIVING in association with retirement residence services since the early 2000s, could obtain the expungement, on the basis of confusion with its own mark, of the trademark MASTERPIECE LIVING registered for various real estate development services and owned by Alavida Lifestyles Inc., an Ontario-based company. The trademark MASTERPIECE LIVING was registered in 2007 following an application submitted on December 1, 2005 on the basis of proposed use of the trademark in Canada. In other words, this is what the Court had to decide: was there a likelihood of confusion between the trademarks MASTERPIECE THE ART OF LIVING and MASTERPIECE LIVING on December 1, 2005? The lower courts answered “no”; for its part, the Supreme Court of Canada answered “yes”.

Four important issues were examined by the Supreme Court in its reasons drafted by Mr. Justice Rothstein.

### **Geographical Location and Likelihood of Confusion**

Firstly, is the geographical location where the trademarks are used by their respective owners a relevant circumstance when considering the likelihood of confusion between those trademarks? The Supreme Court indicated that this factor is not relevant since the test of confusion described in section 6(2) of the *Trade-marks Act* is based upon the hypothetical assumption that the trademarks are used “in the same area”, whether this is actually the case or not. Moreover, since the monopoly granted by a registration extends throughout Canada, no confusion should occur between a registered mark and any prior unregistered mark anywhere in Canada. The fact that Masterpiece Inc. and Alavida Lifestyles Inc. carried out their activities in

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different geographical areas on December 1, 2005 was therefore not a relevant factor in assessing likelihood of confusion.

### **Relevant Factors when Considering Resemblance**

Secondly, what are the relevant factors when considering the resemblance between a proposed used trademark and an existing and unregistered trademark? As Mr. Justice Rothstein indicated, a consideration of resemblance between the trademarks is where most confusion analyses should start. In the case before the Court, since the contested mark MASTERPIECE LIVING was only composed of those two words (i.e. no design components), the difference between or similarity with the trademark MASTERPIECE THE ART OF LIVING should be assessed only on the basis of these words alone. It was therefore not relevant to examine the impression created by designs or any other fanciful elements that accompanied the words (as the lower courts appeared to have done). Obviously, if a trademark includes design components, they will have to be considered when examining the likelihood of confusion. On the other hand, in the case before the Court, as the marks on both sides were composed only of words, Mr. Justice Rothstein indicated that there was a strong resemblance as a whole between the parties' marks.

### **Effect of Nature and Cost of Wares or Services on Confusion**

Thirdly, what effect does the nature and cost of the wares or services have on the confusion analysis? When a trademark is associated with an expensive item or service (such as retirement residence services), is it reasonable to assume that consumers are unlikely to make choices based on first impressions and they will generally take time to inform themselves about the source of expensive goods and services? While that may be true, is likelihood of confusion less important in such cases? According to Mr. Justice Rothstein, likelihood of confusion must be examined on the basis of the attitude of the consumer approaching an important or costly purchase when he or she encounters the trademark, not to the research or inquiries or care that may subsequently be taken. It is the first impression that counts, even for expensive services such as those offered by Masterpiece Inc. and Alavida Lifestyles Inc.

### **Importance of Expert Evidence**

Fourthly, what is the importance of expert evidence in a likelihood of confusion analysis? For example, can a survey (filed by a party in this case) help the judge in his or her assessment of likelihood of confusion between trademarks? On this issue, Mr. Justice Rothstein indicated that an expert may be allowed to testify if his or her testimony contains information which is likely to be outside the experience and knowledge of the judge. On the other hand, a survey which attempts to artificially measure the impression of consumers with an "imperfect" recollection of a trademark when such trademark is not in use will not be very useful. Judges should be very cautious with this type of evidence.

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For all the above reasons, the trademark MASTERPIECE LIVING was found confusing with MASTERPIECE THE ART OF LIVING and was expunged.

### **What is important**

Masterpiece Inc., the owner of MASTERPIECE THE ART OF LIVING, was successful since it was the first to have used its trademark in Canada, even if the use carried out was in a different geographical area than the one by the party who had first registered its trademark. Here is the important lesson: rights belong to the one who has used the trademark first in Canada (in any region of the country, not necessarily in all the regions of the country).

However, in order to avoid the problems associated with someone else registering the trademark, you should apply to register your trademark as soon as possible.



