

The “Masterpiece” Case

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THE SUPREME COURT OF CANADA RECOGNIZES, AFTER A LONG BATTLE, THE RIGHT BASED ON UNREGISTERED PRIOR USE TO CANCEL THE REGISTRATION OF A CONFUSING TRADEMARK: THE “MASTERPIECE” CASE.

After many years of court fighting, the Supreme Court of Canada finally unanimously recognized in May 2011 the rights of a prior user of a trademark (Masterpiece Inc. for its trademark “Masterpiece the art of living”) to obtain the cancellation of a confusing registered trademark (Alavida Lifestyles Inc. for its trademark “Masterpiece living”), even if Masterpiece’s actual use of its trademark was limited to only one (1) province of Canada. Both trademarks were used in relation with services of retirement homes. This decision overruled both the Federal Court and the Federal Court of Appeal’s decisions.

It is interesting to note that Masterpiece Inc., having prior use, never opposed the trademark at the stage of the publication. It sued to get the trademark struck out of the registry, when discovering the registration obtained by Alavida, based on the existence of confusion as of the date of registration of Alavida’s trademark. Had Masterpiece first registered its trademark, or at least put a surveillance service in place to be informed of possible confusing trademark in process of registration, it would have saved on time and a lot of costs for Masterpiece.

Although the Supreme Court restated that the Canadian system is based on prior use, not on a first to file basis, it remains clear that not registering a trademark as soon as possible may lead to litigation or trouble to get it registered thereafter. Good prior use searches are essential too, as simple verifications of the trademark registry of the Canadian Intellectual Property Office will not show trademarks simply used in Canada.

The Supreme Court of Canada further confirmed what the test of confusion is, when looking at two possibly confusing trademarks. It is the test of the first impression, whether the *“...casual consumer somewhat in a hurry” who encounters the Alavida trade-mark, with no more than an imperfect recollection of any one of the Masterpiece Inc. trade-marks or trade-name, would be likely to think that Alavida was the same source of retirement residence services as Masterpiece Inc... All surrounding circumstances must be considered including: (a) the inherent distinctiveness of the trade-marks or trade-names and extent to which they have become known; (b) the length of time the trade-marks or trade-names have been in use; (c) the nature of the wares, services or business; (d) the nature of the trade; and (e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.”*

But in all of this, the Supreme Court stated that *“...Most confusion analyses should commence with an assessment of the resemblance between the marks in issue. The trial judge erred in considering Alavida’s actual use of its mark rather than addressing the entire scope of exclusive rights and potential uses that were granted to Alavida under its registration. His approach did not recognize that Alavida was entitled to use the protected words in any form including a format that closely resembled Masterpiece Inc.’s marks.”*

And for owners of well known luxury goods and services, the test remains for them that of the first impression too, as stated by the Supreme Court : *“...the trial judge erred in considering that consumers of expensive goods and services would generally take considerable time to inform themselves about the source of those goods and services to suggest a reduced likelihood of confusion. Confusion must instead be assessed from the perspective of the first impression of the*

consumer approaching a costly purchase when he or she encounters the trade-mark. The possibility that careful research could later remedy confusion does not mean that no confusion ever existed or that it would not continue to exist in the minds of consumers who did not carry out that research. The trial judge's consideration should have been limited to how a consumer, upon encountering the (Alavida) mark in the marketplace, with an imperfect recollection of the (Masterpiece Inc.) marks, would have reacted. In circumstances where a strong resemblance suggests a likelihood of confusion, and the other s. 6(5) factors do not point strongly against a likelihood of confusion, cost is unlikely to lead to a different conclusion."

In conclusion, an extended search prior to using and filing a trademark in Canada is now more than ever strongly needed. Filing of application, when intending to do business in Canada, should definitely be a top priority, to avoid long and costly litigation. The test of the first impression is the one to use, when conducting the search or selecting a trademark.

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