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PUBLICATION

Supreme Court Decides Trademark Dispute: What It Means For Your Business

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BACKGROUND

The value of adopting a brand or trademark will be instantly obvious when one considers trademarks such as the Apple logo on the iPad or the Nike swoosh. Fortunately, even for not-so-famous trademarks, Canadian trademark law restricts confusion between different vendors' products or services. The underlying policy rationale is that the consumer has a right to know the source of the product or service being offered. Businesses benefit from the opportunity to distinguish their products and build goodwill associated with their brand-name(s). With the ever-increasing importance of branding in the business world, entrepreneurs and companies can learn important lessons from the Supreme Court of Canada's decision in *Masterpiece Inc. v Alavida Lifestyles Inc.* released May 26, 2011.

The dispute began when Masterpiece applied to register the trademark, "MASTERPIECE LIVING," in relation to the retirement residence industry. Masterpiece's trademark application was denied because Alavida had already applied for, and been granted, a registration for the same trademark to be used for the same services, namely, retirement residences.

Masterpiece then applied to the Federal Court to remove Alavida's trademark registration from the Canadian Register of Trademarks (in what are known as "expungement proceedings") on the basis that Masterpiece had already been using a confusingly similar trademark ("MASTERPIECE THE ART OF LIVING") prior to Alavida's application for trademark registration. Masterpiece failed at the Federal Court and Federal Court of Appeal and was successful only upon further appeal to the Supreme Court of Canada.

EARLY PROTECTION AND MONITORING

Perhaps the most important lesson from the Masterpiece decision is the benefit of registering a trademark early on. A business that sees any value in a trade-name or trademark should act quickly to register it. Any hesitation could prove costly. Trademark registration gives one the benefit of exclusive rights to use or license the mark across Canada for 15 years. This 15-year period is renewable indefinitely, subject to continued use of the trademark. Had Masterpiece registered its trademarks early on when it began using them, Alavida would not have been granted a registration for "MASTERPIECE LIVING." The application for registration would have been refused on the basis that it was confusingly similar with existing trademarks. As a result, Masterpiece would have avoided the time and cost involved in challenging Alavida all the way to the Supreme Court.

Also of crucial importance for businesses is the ongoing task of monitoring new trademark applications published in the Canadian Intellectual Property Office's Trade-marks Journal. New trademark applications are published in the Journal every Wednesday so that interested parties may oppose the application during the two-month period following publication. Had Masterpiece been monitoring the published trademark applications (through an available electronic reporting service, for instance), it could have opposed Alavida's trademark application in a procedure before the Trademarks Opposition Board instead of having to apply to the court for expungement of a registered trademark after the fact.

TRADEMARK ENFORCEMENT AND RELEVANT EVIDENCE

Owners of trademarks, particularly in highly competitive markets, ought to take note of the following issues in respect of the enforcement of trademark rights (i.e. infringement proceedings).

First, the Supreme Court clarified that trademark protection in Canada is *national* in scope. That is, any confusion analysis must be based on the assumption that the trademarks are being used within the *same* geographical area. When enforcing a registered mark against a competitor, the plaintiff will not be required to prove that a likelihood of confusion (or actual confusion) exists in the specific locality. After all, in the Masterpiece decision, Masterpiece was operating retirement residences in Alberta and Alavida was operating in Ontario.

Secondly, the Court provided some guidance respecting the types of evidence that are appropriate in a trademark infringement action. Traditionally, trademark litigants in Canada have gone to great expense to file complex consumer survey evidence with the court. Such evidence would typically address whether a cross-section of average consumers had heard of certain trademarks, or would be likely to be confused by the trademark in question. In an attempt to simplify matters, the Court stated that such survey and expert evidence should be admitted sparingly, only when it is beyond the experience of the Court to decide on issues of confusion. Hopefully, this will result in trademark enforcement becoming more affordable by reducing the need for costly survey evidence and excessive expert witnesses.

With the increasing awareness of the value of brand protection and a likely reduction in the average cost of trademark infringement proceedings, businesses may now be more willing to consider pursuing infringers to send the message that their trademark rights will not be easily trampled on.