

**CASE LAW UPDATE**

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*Masterpiece Inc v Alavida Lifestyles Inc*

2011 SCC 27 (Released May 26, 2011)

**Intellectual Property – Trademarks – Confusion Analysis – Expert Evidence**

At issue in this case was whether the trade-mark "Masterpiece Living", registered by Alavida Lifestyles Inc. ("**Alavida**"), was confusing with the unregistered trade-marks or trade-name previously used by another company, Masterpiece Inc. Both Alavida and Masterpiece Inc. were in the retirement residence industry.

Justice Rothstein wrote the unanimous decision of the seven-member panel of the court. He found that the trial judge (as upheld by the Federal Court of Appeal) had made several errors of law in concluding that there was not confusion between the companies' trade-marks.

The trial judge found that Masterpiece Inc. had established the use of the trade-name "Masterpiece" and the trade-marks "Masterpiece the Art of Retirement Living" and "Masterpiece the Art of Living" at the time of the application for registration by Alavida for "Masterpiece Living". However, when conducting the confusion analysis, the trial judge undertook a single composite analysis rather than comparing each of Masterpiece Inc.'s marks and trade-name separately. Justice Rothstein found that this was an error of law. In his own analysis, Rothstein J. found that because "Masterpiece the Art of Living" was most similar to "Masterpiece Living", he could conduct the analysis once. If there was no confusion between these two marks, then there would not be confusion with the other less similar marks.

The trial judge found that confusion between Alavida's "Masterpiece Living" and Masterpiece Inc.'s trade-marks and trade-name was lessened because Alavida operated predominantly in Ontario and Masterpiece Inc. operated in Alberta. Justice Rothstein found that this was an error of law. The owner of a trade-mark has the right to exclusive use of the trade-mark throughout Canada. The appropriate question was for the trial judge to ask whether there would likely be confusion between the marks if they were used in the same area.

The trial judge also erred when considering the actual use of Alavida's trade-mark. He found that Alavida used "Masterpiece Living" as a slogan. Justice Rothstein found that the trial judge must look to all of the available uses for the marks allowed by the registration, and not solely at

the actual use. In this case, the application and subsequent registration were very broad, and thus Alavida could use "Masterpiece Living" in a variety of forms.

Finally, the trial judge found that because retirement living was expensive, consumers were more likely to do research after encountering these trade-marks, and thus would be less likely to be confused about the companies behind the respective marks. This too, as found by Rothstein J., was in error. While the value of the goods or wares is relevant in that a consumer will likely pay more attention when purchasing something expensive, the test focuses on a consumer's first impression of the marks. The likelihood of subsequent research after encountering the marks is irrelevant.

Justice Rothstein also criticized the use of expert evidence in the trial. He found that the experts produced by both sides were unhelpful, and that they likely contributed to leading the trial judge astray from the proper questions and factors he should have been addressing. Justice Rothstein reasoned that in a trade-mark confusion case where the goods were sold to the general public, the trial judge can put him or herself into the position of the potential consumer. As expert evidence is unlikely to be necessary, it will not be admissible under the *Mohan* test.

In the result, the appeal from the decisions of the trial judge and the Court of Appeal were allowed, and the registration of "Masterpiece Living" by Alavida was ordered expunged.