

IN THE SUPREME COURT OF CANADA  
(ON APPEAL FROM THE FEDERAL COURT OF APPEAL)

B E T W E E N:

MASTERPIECE INC.

APPELLANT  
(Appellant)

- and -

ALAVIDA LIFESTYLES INC.

RESPONDENT  
(Respondent)

-and-

INTERNATIONAL TRADEMARK ASSOCIATION

INTERVENER  
(INTA)

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FACTUM OF THE INTERVENER  
INTERNATIONAL TRADEMARK ASSOCIATION

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## INTERVENER'S FACTUM

### PART I: OVERVIEW AND STATEMENT OF FACTS

1. INTA's submissions relate primarily to the provisions of Section 6 of the *Trade-marks Act* (the "Act"), which require that likelihood of confusion is to be determined on the basis of the assumption that two trade marks, or a trade name and a trade mark are used in the same area (the "hypothetical marketplace"), irrespective whether this is the case in fact. INTA takes no position on whether the parties' respective trade name and trade marks are confusingly similar if used in the same area.

2. In assessing likelihood of confusion, the Federal Court of Appeal correctly found that the relevant date for determining likelihood of confusion with a "proposed use" trade mark is the filing date of the application for registration, but incorrectly took into account that the parties' respective trade name and trade marks were not used in the same geographical area. The decision is contrary to consistently applied jurisprudence including prior decisions of the Federal Court of Appeal.

3. INTA's interest is in assuring that the hypothetical marketplace test is used when assessing likelihood of confusion between a prior trade name or trade mark, and a trade mark that is the subject of a trade mark application or registration.

4. The hypothetical marketplace "likelihood of confusion" test is fundamental to the registration scheme of the Act. The outcome of this case has broad implications in relation to the valid registration of trade marks, and enforcement of trade mark registrations.

#### **INTA and its Interest**

5. INTA is a not-for-profit association of more than 5,700 trade mark owners, professionals and academics from more than 190 countries. Its members include over 150 Canadian companies and firms. Its mission is to support the development of clear and consistent principles of trade mark law and policy. It does so in part through

*amicus curiae* filings in important trade mark cases around the world. There have been over 30 such filings in the past 10 years, including before this Court in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824.<sup>1</sup>

6. Many INTA members are active trade mark practitioners, and as such often are required to give opinions on whether trade marks are confusingly similar. Important business decisions frequently are made on the basis of such opinions.<sup>2</sup>

### **Facts of this Dispute**

7. The respondent applied to register the trade mark MASTERPIECE LIVING on December 1, 2005 (the "Material Date") based on proposed use in Canada in association with the following services: "Real estate development services, real estate management services, residential building construction services, dining services namely a dining room restaurant, housekeeping services, medical services namely medical clinic services, spa services, fitness services namely a fitness centre and concierge services." The application for MASTERPIECE LIVING issued to registration on March 23, 2007 for the above-identified services.

8. There is no restriction in the registration as to the manner in which the trade mark MASTERPIECE LIVING is to be used. It could therefore be used as a slogan in association with another trade mark or trade name, or it could be used as a primary identifier of the respondent's services.

9. At the trial, the appellant maintained that it had used the trade name MASTERPIECE and various trade marks comprising the word "masterpiece" including A LIVING MASTERPIECE, MASTERPIECE CLUBS, MASTERPIECE THE ART OF LIVING and MASTERPIECE THE ART OF RETIREMENT LIVING, in relation to the operation of seniors' residences and assisted-living facilities. The trial judge found that

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<sup>1</sup> Motion for Leave to Intervene of International Trademark Association, Affidavit of Alan C. Drewsen, sworn August 9, 2010 ("Drewsen Affidavit"), paragraphs 2 and 12.

<sup>2</sup> Drewsen Affidavit, paragraph 9

the appellant "has shown some use of its trade-name and marks in respect of its services prior to December 1, 2005."<sup>3</sup>

10. In addition, the trial judge found that "... the services and client base of the two companies overlap."<sup>4</sup>

11. At the Material Date, the appellant operated in Alberta. At the Material Date the respondent had not commenced use of its trade mark MASTERPIECE LIVING but subsequently used it in Ottawa and vicinity.

## **PART II: STATEMENT OF QUESTIONS IN ISSUE IN THE APPEAL**

12. The central issue to be determined by the Court is whether, at the Material Date the appellant's MASTERPIECE trade name and MASTERPIECE trade marks associated with the operation of seniors' residences and assisted-living facilities were confusing with the respondent's trade mark MASTERPIECE LIVING associated with the services covered by the registration. The particular issue on which INTA makes its submissions is whether the fact that the parties' respective trade name and trade marks were not used in the same geographical area at the Material Date is relevant to the determination of likelihood of confusion.

## **PART III: STATEMENT OF ARGUMENT**

13. The appellant challenges the validity of the respondent's trade mark registration on the ground that the respondent was not the person entitled to register the trade mark MASTERPIECE LIVING because the trade mark was confusing with the appellant's prior trade name and trade marks. The appellant relies on ss. 18 and 16 (3) of the Act.

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<sup>3</sup> Trial Judgment Reasons, para. 19 [Appellant's Record "AR", Vol. I p. 8]

<sup>4</sup> Trial Judgment Reasons, para. 45 [AR, Vol. I p. 16]

14. The Federal Court of Appeal correctly found that the relevant date for determining likelihood of confusion in this case is the filing date of the respondent's proposed use application.

15. Despite this finding, the Federal Court of Appeal incorrectly took into account that the parties' respective trade name and trade marks were not used in the same geographical area at the Material Date. The court evidently did not consider the fact that the respondent had not used its trade mark anywhere in Canada at the Material Date.

16. Section 6 of the Act states in part:

(1) For the purposes of this Act, a trade-mark or trade-name is confusing with another trade-mark or trade-name if the use of the first-mentioned trade-mark or trade-name would cause confusion with the last mentioned trade-mark or trade-name in the manner and circumstances described in this section.

(2) The use of a trade-mark causes confusion with another trade-mark if the use of both trade-marks in the same area would be likely to lead to the inference that the wares or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.

(4) The use of a trade-name causes confusion with a trade-mark if the use of both the trade-name and trade-mark in the same area would be likely to lead to the inference that the wares or services associated with the business carried on under the trade-name and those associated with the trade-mark are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.

17. Sections 6(2) and (4) of the Act require likelihood of confusion to be assessed upon the hypothesis that the respective trade marks, or the trade name and trade mark are used in the same area, irrespective whether this is the case. Thus, the geographical separation of the use or eventual use of a trade mark for which registration is sought, and the geographical location of the use of a confusingly similar prior trade

name or trade mark is irrelevant to determining whether the registrant is the person entitled to register.

18. Section 6(5) of the Act requires “all the surrounding circumstances” to be considered in determining likelihood of confusion. This requirement does not override the hypothetical marketplace test required by ss. 6(2) and (4).

19. The Federal Court of Appeal’s reasons for judgment<sup>5</sup> create uncertainty about the hypothetical marketplace test, and in particular, suggest that the absence of use of the respective trade name and trade marks in the same geographic area mitigates against likelihood of confusion.

20. The Federal Court of Appeal’s reasoning is contrary not only to Section 6 of the Act, but also with established jurisprudence. In *Automaxi S.A. v. U.A.P. Inc.* (1994), 59 C.P.R. (3d) 82 (F.C.A.)<sup>6</sup>, Létourneau J.A. summarized the law as follows at p. 92:

It should be noted that s. 6 of the Act assumes, for the purposes of the comparison between the disputed trade marks, *that each of them is used in a hypothetical market and the existence of confusion at the date of the Registrar's decision is to be determined on the basis of that assumed use.* [emphasis added]

21. In *Prologic Systems Ltd. v. Prologic Corp.* (1998), 78 C.P.R. (3d) 435 (F.C.T.D.)<sup>7</sup>, Justice Lutfy stated at pp. 439-440:

[11] The applicant, however, need not necessarily establish actual confusion. The applicant must show the likelihood of confusion if the simultaneous use of its trade name and the respondent's trade mark in the same geographic area or market place would be likely to lead to the inference that their respective services were supplied by the same person. This test was set out by the Court of Appeal in the *Oshawa Holdings Ltd.* case:

In discussing said s. 6, Dr. Fox states in *Canadian Law of Trade Marks and Unfair Competition*, 3rd ed. (1972) at p. 150:

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<sup>5</sup> FCA Reasons for Judgment, paras. 9, 10, 19, 21 and 22 [AR, Vol. I, pp. 49, 51 and 52]

<sup>6</sup> Masterpiece Authorities, Tab 18, p. 206

<sup>7</sup> Masterpiece Authorities, Tab 17, pp. 197-198



The question to be asked is whether the use of a trade mark in the same area in which another trade mark or trade name is used would be likely to lead people to think that the wares or services associated with the two trade marks or associated with the business carried on under the trade name are the wares or services of the same person even though those wares or services may not be of the same general class.

I agree that the question above posed by Dr. Fox properly describes the essential elements of the statutory tests set out in s. 6. *It is not necessary in my view for there to be actual use of the conflicting marks in the same area, nor for there to be evidence of actual confusion. The test of s-ss. (2) and (3) of s. 6 is not what has happened in fact but what inference would likely be drawn if the appellant and respondent did use the conflicting marks and trade names in respect of the different classes of goods in the same area.* [emphasis added]

### **Scheme of the *Trade-marks Act***

22. The law in Canada is intended to achieve a balance between the rights of prior common law trade name and trade mark users, and the rights of traders who in good faith have applied to register a trade mark subsequent to the date of first use in Canada of a common law user.

23. Section 19 of the Act gives the owner of a valid registration the exclusive right to use the trade mark throughout Canada. For this reason, it is essential to the validity of the registration that the registrant is the first to have used or made known the trade mark in Canada, or in the case of two rival proposed use applications, that the registrant was first to have applied to register the trade mark.<sup>8</sup>

24. During the five-year period immediately following registration, a prior user of a confusing trade name or trade mark can apply to have the registration expunged.<sup>9</sup> After five years, if the registered trade mark had been adopted without knowledge of the use of a prior confusingly similar trade name or trade mark, the registration is not liable to be

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<sup>8</sup> Act, s. 16

<sup>9</sup> Act, s. 18(1)

expunged on the ground of prior use of a confusing trade name or trade mark.<sup>10</sup> In addition, if the registered mark and a confusingly similar prior trade name or trade mark are used concurrently in the same area, the court may require the prior user to use the prior confusing trade name or trade mark in such area "with an adequate specified distinction from the registered trade-mark".<sup>11</sup>

25. Use of a confusing trade name or trade mark anywhere in Canada prior to the filing date of a "proposed use" trade mark application therefore will negate the validity of the resulting registration, irrespective of *where* the prior trade name or trade mark was used, provided the prior user commences an action for expungement of the registration within five years from the date of the registration.

26. In assessing likelihood of confusion, the statutory test under Section 6 of the Act requires the assumption that the respective trade name and/or trade marks are used in the same area, irrespective whether this is the case in fact. It is incorrect to consider geographical separation or possible future expansion as relevant surrounding circumstances in assessing the validity of a registration when the issue is whether the registrant was the person entitled to register.

27. The required hypothetical marketplace test means that possible geographical expansion of the appellant's trade name and trade marks after the Material Date is irrelevant to determining whether the respondent was the person entitled to registration.

### **Potential Consequences**

28. The Federal Court of Appeal attached significance to the fact that, at the Material Date, "the appellant did not sell its product in the same market as the respondent."<sup>12</sup> This implies that prospective trade mark applicants should take into account the geographical extent of actual or prospective use of a prior trade name or

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<sup>10</sup> Act, s. 17(2)

<sup>11</sup> Act, s. 21

<sup>12</sup> FCA Reasons for Judgment, para. 22 [AR, Vol. I, p. 52]

trade mark when determining whether or not to adopt the trade mark. This imposes a difficult if not impossible burden, as discussed below.

29. It is common for persons interested in adopting a particular trade mark to request a legal advisor to conduct a search prior to filing a trade mark application. Assume that the search reveals a prior confusingly similar trade name, or a trade mark for which no trade mark application has been filed. If geographical separation is a valid factor in determining likelihood of confusion, it would follow that assessing likelihood of confusion would require conducting an investigation as to the geographical extent of the usage of the prior trade name or trade mark, the likelihood of expansion of such use, and the likely timing of such expansion. These factors are difficult to assess, inherently uncertain and expensive to determine.

30. Conversely, if such an investigation is undertaken and the decision is made to proceed with an application for registration, the prior user could face difficulty in opposing the application if the prior use is geographically remote from the area where the applicant for registration is located and/or where the use by the applicant is likely to occur. It would follow that even if the person second in time to use the confusing trade mark did so with knowledge of the prior use, this would not be relevant to a determination of likelihood of confusion if the respective uses are geographically remote. Moreover, this could lead to an even more unfair consequence for the prior user, as indicated below.

31. The owner of a valid registration has the exclusive right to use the registered mark throughout Canada.<sup>13</sup> Suppose that a person second in time were to register a trade mark that is confusingly similar to a prior trade name or trade mark that is used only in an area that is geographically remote from that of the registrant. If it were correct that the registration would be valid if the marks are not confusing by reason of geographical separation at the Material Date, it would follow that the registrant,

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<sup>13</sup> Act, s. 19

possessed with a valid registration, would be at liberty to extend its wares, services and business throughout Canada including the very area where the prior user had previously used its trade name or trade mark. If confusion were to occur as a result, the prior user would not be entitled to sue for passing off at common law or under s. 7(b) of the Act, because according to current case law the possession of a valid registration trumps any rights based on passing off or s. 7(b) of the Act.<sup>14</sup> It is for this reason among others that the Federal Court of Appeal decision can have far reaching highly adverse consequences unintended by Parliament.

32. Lastly, the reasoning of the Federal Court of Appeal in relation to the relevance of geography in assessing likelihood of confusion ignores the fact that in order to be valid, a registered trade mark must be distinctive.<sup>15</sup> "Distinctive" in relation to a trade mark means a mark that actually distinguishes the wares or services in association with which it is used by its owner from the wares or services of others or is adapted so to distinguish them.<sup>16</sup> The Act does not contemplate, in relation to registration, territorial limits of distinctiveness except in relation to trade marks for which secondary meaning has been proven in only a portion of Canada, under s. 12(2) of the Act.

33. In effect, the exclusive right to use a registered mark under s. 19 of the Act is conditioned on the mark having the capacity to identify exclusively the wares or services of its owner from those of others.

34. This leads to the question of whether distinctiveness can be negated by proof of contemporaneous use of confusingly similar trade names or trade marks in regions other than where the owner of the registered trade mark has used the registered mark. The reasoning of the Federal Court of Appeal therefore has implications for the validity and enforceability of many trade marks whose reputation merely has a local cast.

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<sup>14</sup> *Molson Canada v. Oland Breweries* (2002), 19 C.P.R. (4th) 201 (Ont. C.A.) [INTA Authorities, Tab 1]

<sup>15</sup> Act, s. 18(1)(b)

<sup>16</sup> Act, s. 2

**PART IV: SUBMISSION ON COSTS**

35. INTA shall abide by the order as to costs contained in the order of this Court dated 03 September 2010.

**PART V: SUBMISSIONS RE REQUEST TO PRESENT ORAL ARGUMENT AND  
INTA'S POSITION ON DISPOSITION OF LEGAL ISSUES**


36. In accordance with the Order dated 03 September 2010, INTA awaits the decision of the Court on its request to present oral argument, following consideration of the written arguments of the parties and INTA. INTA takes no position as to the ultimate disposition of the appeal on its merits. INTA urges the Court to reject explicitly the proposition that, in assessing the likelihood of confusion with a proposed mark, it is relevant that the respective name and marks were not used in the same geographical area at the Material Date.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated at Toronto, province of Ontario, this  
21<sup>st</sup> day of October, 2010.



Mr. Daniel R. Bereskin, Q.C.



Mr. Mark L. Robbins

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**PART VI – TABLE OF AUTHORITIES**

<b>Authority</b>	<b>Paragraph(s)</b>
<i>Automaxi S.A. v. U.A.P. Inc.</i> (1994), 59 C.P.R. (3d) 82 (F.C.A.)	20
<i>Molson Canada v. Oland Breweries Ltd.</i> (2002), 19 C.P.R. (4th) 201 (Ont. C.A.)	31
<i>Prologic Systems Ltd. v. Prologic Corp.</i> (1998), 78 C.P.R. (3d) 435 (F.C.T.D.)	21
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