



Expungement of a Registered Trademark: Lessons Learned in 2010

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Once a trademark registration in Canada has been granted, it is generally very difficult to remove that registration from the Register. Two challenges are available: cancellation for non-use under s. 45 of the *Trade-marks Act* (the Act), where the sole issue is whether the mark has been used within the last three years, and expungement. The Act (s. 18) sets out limited grounds on which a registration may be expunged, namely:

- (a) the trademark was unregistrable when registered,
- (b) the trademark is not distinctive at the date of a challenge,
- (c) the trademark has been abandoned, or
- (d) the applicant was not entitled to register the mark.

For this last ground, only the party with prior use of a confusingly similar trademark or trade name can make the challenge and must show that it has not abandoned its trademark or trade name, and the challenge must be made within five years of the registration date, unless the registrant had knowledge of the other prior use at the time it adopted the mark.

The party seeking to challenge a registration must prove one or more of the above grounds, and only the Federal Court of Canada can order a registration to be expunged.

In most cases, an expungement action is tied to other disputes between parties, and normally involves a test of who actually owns the rights to the mark. Such was the case in two expungement matters heard by the Federal Court in 2010 which offer lessons to trademark owners about how to select, search, apply, and use their marks to best avoid a challenge later on.

This first case, and one of the most interesting expungement cases, is *Masterpiece Inc. v. Alavida Lifestyles Inc.* (2009), 78 C.P.R. (4th) 243 (FCA), where an appeal of the Federal Court of Appeal decision was argued before the Supreme Court of Canada (SCC) in December 2010. The SCC is likely to issue a decision this year that will confirm the factors to be assessed in determining entitlement to registration. The case involved a contest over the mark MASTERPIECE by two companies involved in the retirement residence business. Masterpiece Inc. (Masterpiece) first used the mark in 2001, alone and with additional non-distinctive words. Alavida Lifestyles Inc. (Alavida) applied to register the mark in 2005, used it in 2006, and obtained its registration in 2007. The parties operated in different cities. Masterpiece sought to expunge the Alavida registration on the basis of its prior use.

Section 16 of the Act sets out clear guidelines on entitlement to register, and in a contest between a party with prior use and an applicant filing with no use, the prior user should win, assuming the marks are confusingly similar.

The Federal Court of Appeal had surprisingly found the marks not to be confusingly similar for several reasons, including that Masterpiece had added elements to the mark, and also that Masterpiece did not operate in a similar geographic area to Alavida. The court noted that Masterpiece had not made the mark distinctive or well known of it, and refused to expunge Alavida's registration.

The decision is puzzling, since geography is not a named factor in the entitlement or confusion sections of the Act. Further, while extent of use is a factor in determining confusion, if there is prior use of a virtually identical mark, section 16 would seem to clearly indicate that Alavida's registration should be expunged.

These issues were presented to the Supreme Court of Canada in December 2010 and it is hoped that the Court will clarify



competing rights in this situation. If the Appeal decision stands, it will make it much more difficult to determine rights between competing applicants, and turns the test of prior use into one of reputation and extent of use. It is also a good lesson that a trademark application should be filed as soon as possible.

The facts of the second case, *JAG Flocomponents N.A. v. Archmetal Industries Corporation 2010 FC 627*, are complex. However, the case offers a warning to businesses about the impact ownership and use claims made in an application can have on the validity of a registration. An application for the trademark FUSION was filed by Archmetal Industries Corporation (Archmetal), however the parties had an agreement that all intellectual property would be jointly owned. In addition, a claim of use was made, based on a shipment from one party to another, by way of consignment, rather than sale. A real sale would not occur until the consignee put the goods into normal retail channels in Canada. The Federal Court held that the registration did not represent the rights of the registrant, Archmetal, since it did not have the exclusive right to the mark. Instead, the parties were joint owners in view of the agreement to jointly own all intellectual property. In addition, the Court described the claim of use in Canada as a material misstatement or omission, justifying expungement of the mark.

The Court's finding is important since past expungement cases have restricted a challenge to a registration based on inaccurate filing information to cases of fraud, or clearly false claims. This decision seems to lower the standard for attack, and makes it critical to ensure that all use claims can be supported, not just in terms of when a product first arrives or is sold in Canada, but also in terms of who is using the mark and how the product is put into trade channels. Applications need to be carefully drafted, as a material misstatement in an application can result in the expungement of the registration.

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