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MIGHTIEST BRAND IN THE LAND - THE HAZARDS OF UNREGISTERED TRADE-MARKS

A recent trade-mark decision of the Supreme Court of Canada ("SCC") is a reminder of the "best practices" that should be followed to solidify your company's trade-mark rights, and avoid unnecessary litigation costs.

The case of *Masterpiece Inc. v. Alvida Lifestyles Inc.* arose from a situation where Masterpiece Inc. used the brand "Masterpiece – The Art of Living", and variations thereof, for its retirement residences in Alberta, starting in 2001. It did not file a federal trade-mark application to protect that brand. In 2005, Alvida Lifestyles Inc. started a retirement residence business in Ontario, using the brand "Masterpiece Living", and immediately filed for, and registered "Masterpiece Living", as trade-mark in association with retirement residences. When Masterpiece Inc. finally decided to register a trade-mark for its brand in 2006, it found it was blocked by the Alvida registration.

Masterpiece Inc. sued Alvida to try to "expunge" the Alvida trade-mark registration, alleging that its earlier use of a confusingly similar, though unregistered, trade-mark meant that Alvida's registration was invalid. Masterpiece Inc. eventually succeeded at the SCC, but only after losing at both the Federal Court and Federal Court of Appeal levels, and spending 5 years, and probably well over $500,000.00 in legal fees to get there.

Moral of the story for Masterpiece Inc.: If they had had spent a few thousand dollars registering their trade-mark soon after they started using the brand in 2001, this litigation would never have happened, because the Trade-Marks Office would have just refused the later Alvida application.

Moral of the story for Alvida: Before choosing their brand for their new business, they should have done more in-depth searching for unregistered uses of similar names, through sources like corporate registry searches, phone directories, and good old Google. If they in fact did search and find the existence of Masterpiece Inc.'s prior use of a similar name in the same business, it was a bad idea to adopt such a similar name, and even worse to file for a trade-mark, as that registration served to attract Masterpiece Inc.'s attention.

Moral of the story for all businesses: Many people think that it is ok for two similar businesses with the similar, or the same name or brand to operate in different parts of the country – i.e. that the later user is not infringing the trade-mark rights of the earlier user, because they are not competing with one another. The *Masterpiece v. Alvida* case shows this is not true when a registered trade-mark is involved – a registered trade-mark automatically provides cross-Canada exclusivity for the registered mark, and only one party in Canada can have a legitimate entitlement to that trade-mark in relation to a given product or business.

Written by: Tom O'Reilly ▲

COURT TURNS NOSE UP AT LANDLORD'S TERMINATION RIGHT

CASE BRIEF: *550 CAPITAL CORP. v. DAVID S. CHEETHAM ARCHITECT LTD.* 2009 (ALTA C.A.) 219

FACTS:
The tenant assigned its commercial lease to a corporation wholly owned by it, without the landlord's consent. Article 10.02 of the lease required that the tenant obtain the landlord's written consent prior to making such assignment, and required the landlord not to unreasonably withhold its consent.

Upon becoming aware of the assignment made contrary to Article 10.02, the landlord's counsel advised the tenant that it was in default under the lease. The tenant was also advised that pursuant to Article 10.07 of the lease, the landlord would be entitled to terminate the lease if the default was not cured within 15 days.

During the 15 day cure period, the landlord's counsel invited the tenant to request the landlord's consent to the assignment, which the original tenant did in an effort to resolve the landlord's concerns, despite having contrary views regarding the requirement to obtain consent in these circumstances. Upon receiving the tenant's request for consent, the landlord served the tenant with a written notice terminating the lease pursuant to Article 10.03.

Article 10.03 of the lease provided that notwithstanding Article 10.02, within 30 days of the receipt by the landlord of a request for consent to an assignment of the lease, the landlord shall have the right upon written notice to the tenant, to cancel and terminate the lease.

The tenant refused to vacate the premises. The landlord brought an application to enforce its rights of possession under the lease.

ISSUE:
Was the landlord entitled to terminate the lease under Article 10.03?

DECISION OF THE CHAMBERS JUDGE:
The Chambers Judge found that the tenant was in default of the lease, and that the landlord had given the tenant 15 days to cure its default pursuant to Article 10.07. In addition, the Chambers Judge found that without the landlord's invitation to request consent, the tenant would not have sought consent.

In light of these findings, the Chambers Judge held that it would be inequitable to allow the landlord to rely on Article 10.03 to terminate the lease, when it had not allowed the tenant its full 15 days to remedy the default. As such, the Chambers Judge extended the tenant's cure period to enable a reassignment of the lease back to the original tenant.

The landlord appealed this decision.

DECISION OF THE COURT OF APPEAL:
The Court of Appeal also concluded that the landlord could not rely on Article 10.03 to terminate the lease, but on the basis that it was inconsistent with Article 10.02 and therefore unenforceable.

Article 10.02 required the landlord not to unreasonably withhold its consent to an assignment. Article 10.03 stated that notwithstanding Article 10.02, the landlord had the right to terminate the lease upon receiving a request for consent. The Court of Appeal held that Articles 10.02 and 10.03 could not stand together since the landlord's right to terminate pursuant to Article 10.03 effectively eliminated the landlord's obligation not to unreasonably withhold consent under Article 10.02. The Court indicated that a tenant should not be required to jeopardize its tenancy in the course of requesting consent and relying on the landlord's obligation not to unreasonably withhold same.

Based on principles of contractual interpretation respecting inconsistent clauses, the Court of Appeal held that the earlier clause (Article 10.02) was to prevail over the later clause (Article 10.03) and the later clause was to be rejected as repugnant, even though the later clause opened with the words "Notwithstanding section 10.02".

LESSONS LEARNED:
Landlords are wise to review their existing forms of leases to determine if changes are required in light of this decision. Landlords wishing to preserve their right to terminate the lease could state that upon receiving a request for consent, the landlord may (i) terminate the lease, in the landlord's sole and unfettered discretion; (ii) consent to the assignment; or (iii) refuse consent on reasonable grounds. Based on the principle of contractual interpretation that was used in this case, it is prudent to list the termination right first.

Written by: Denise Pon-Walesiak ▲

NEW HOME INSPECTION REGULATION PRIMER

On September 1, 2011, the *Home Inspection Business Regulation* came into force. This Regulation, enacted pursuant to Alberta's *Fair Trading Act*, now regulates the home inspection industry in this province by setting out licensing requirements, standards of operation, and certain prohibitions. Note that the Regulation does not apply to the inspection of a dwelling that is to be used for commercial purposes, which includes its use as a rental property.

Pursuant to the Regulation, all individual home inspectors, and home inspection businesses, must now be licensed by the provincial government. To obtain a license, an individual must be employed or otherwise engaged by a licensed home inspection business. Further, the individual must either have received a degree, diploma or certificate in home inspection from an approved educational institution and satisfactorily completed a supervised test inspection of a dwelling, or hold an approved home inspection designation from an approved industry association or regulatory body. Individuals without formal education or a designation as set out above may obtain a conditional license, subject to the approval of the Director of Fair Trading, if they have completed at least 25 paid home inspections and completed a supervised test inspection of a dwelling.

The Regulation requires that all licensed home inspection businesses must carry errors and omissions insurance covering at least $1,000,000 per claim and $2,000,000 in the aggregate for all claims within a one-year period. No home inspection contract may limit the liability, or the amount of liability, of a home inspection business or the individual inspector for breach of contract or negligence, or alter the statutory limitation periods for making a claim. The Regulation sets out that certain elements must be included in any inspection unless the consumer agrees to specifically exclude them in writing. These include the inspection of core items such as roofing, chimneys, lot gradings, retaining walls, patios and decks, electrical systems, heating, plumbing, etc. All inspections are by default non-invasive unless the parties agree to specific invasive procedures (i.e. removal of drywall, etc.).

The Regulation prohibits the disclosure of a home inspection report except with the written permission of the consumer, when required by law, or if, in the opinion of the inspector, a serious health or safety risk exists.

Written by: Paul Girgulis ▲

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