

Federal Court Issued New Guidance on Trademark Use

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The Federal Court has issued its latest decision interpreting the “use” requirements under Section 45 of the *Trademarks Act* (the Act) in the digital millennium.

Hilton Worldwide Holding LLP v Miller Thomson, 2018 FC 895 was an appeal from an order of the Registrar of Trademarks (Registrar) expunging the trademark WALDORF-ASTORIA (the Mark) from the register under Section 45 of the Act. To maintain its registration in the Section 45 proceeding, Hilton had to demonstrate use of the Mark between 2011 and 2014 in association with “hotel services.” Hilton did not have a physical, “bricks and mortar” WALDORF-ASTORIA hotel in Canada.

Before the Trademarks Opposition Board (the Board), Hilton filed an affidavit describing how Canadians made reservations to stay at WALDORF-ASTORIA hotels through third-party booking systems, directly through Hilton’s website, and through a toll-free number in Canada. Hilton’s evidence showed that during the relevant period, approximately 41,000 Canadian customers stayed at WALDORF-ASTORIA hotels outside of Canada, generating room revenues of approximately \$50 million, and over 1,300 reservations were made and paid for by Canadian customers, generating rewards points through Hilton’s loyalty program. The Mark was clearly displayed on websites and in e-mail communications in connection with these activities.

The Board found that Hilton’s evidence did not constitute “use” in association with “hotel services” under Section 4(2) of the Act. Relying on a series of Opposition Board decisions under Section 45 of the Act regarding hotel services, including the 2015 decision in *Stikeman Elliott LLP v Millennium & Copthorne International Limited*, 2015 TMOB 231 (*M Hotel*), and the 2012 decision in *Bellagio Limousines v Mirage Resorts Inc*, 2012 TMOB 220 (*Bellagio*), both of which narrowly interpreted the scope of “hotel services,” the Board held that “use” of a trademark in association with “hotel services” required a “bricks and mortar” hotel in Canada. According to the Board, Hilton was providing “hotel registration services” and not “hotel services,” and accordingly, in the absence of a Canadian WALDORF-ASTORIA hotel location, Hilton’s registration should be expunged for non-use.

Hilton appealed the Board’s decision to the Federal Court under Section 56 of the Act and filed fresh evidence in support of its registration consisting of two affidavits. First was an affidavit from a representative of Hilton, which provided detailed information about the operation of Hilton’s hotel reservation systems in Canada, the many thousands of Canadians who used such reservations systems, and the revenues generated by Canadians booking and staying at the WALDORF hotel. Second was an affidavit from a trademark searcher, which explained that at the time the application to register the WALDORF-ASTORIA

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trademark was filed, the Trademarks Office's Wares and Services Manual (now called the "Goods and Services Manual") listed "hotel services" and "management of hotels" as acceptable services and not "hotel registration services." This second affidavit was particularly relevant to consideration of the issue of whether Hilton should have specified the services in its registration as being "hotel reservation services" instead of "hotel services." The Court found that Hilton's fresh evidence would have made a material difference to the Board when it reached its decision, and applied the standard of reasonableness.

Canvassing relevant case law, Pentney, J. stated that that services in trademark registrations should be interpreted liberally, and while merely providing information or advertising a service alone is not sufficient to be considered "use" of the trademark in association with that service, actions that enable Canadians to benefit directly from that service can constitute use. The Court held that "use" is to be determined on a case-by-case basis, "which involves an analysis of the scope of the services referred to in the trademark registration, as well as of the nature of the benefits delivered to people physically present in Canada."

The Court noted that the Board, both in the present case and in recent decisions such as *M Hotel* and *Bellagio*, took a different approach. By rejecting the general principle that services should be interpreted broadly to include primary, incidental, and ancillary services and by failing to examine the nature of the benefits received by people in Canada, the Court held that the Board erred in law. The Court also took issue with the Board's characterisation of Hilton's services as being "hotel registration services," when this was not an available option from the Goods and Services Manual at the time of registration of the Mark.

The Court concluded that, in the present case, both the ultimate customer and the provider of "hotel services" would consider such services to include such things as room service, dry cleaning, luggage storage, and, most importantly, room reservations. "Hotel services" include related activities that can, with the advent of technology, be performed or enjoyed in Canada, despite the physical hotel being located in a different country. In view of that determination, given that Hilton showed evidence of the Mark in advertisements such as websites and e-mail communiqués, the Court concluded that Hilton had demonstrated use of the Mark in the delivery of its hotel services and ordered that the registration be maintained.

This case suggests that the services listed in a trademark registration may be "primary, incidental or ancillary," and are to be interpreted in context with the commercial understanding of the relevant industry. The Court was particularly persuaded by the fact that hotel services are understood by both the hotel provider and the customer to include primary services such as the provision of hotel rooms, as well as ancillary or incidental services including reservations and booking services, which could be provided remotely and exceed the physical bricks and mortar hotel or hotel room. In assessing whether a service is "used" in Canada, one should consider whether such ancillary services provide a benefit that could be enjoyed by people in Canada. Here, there was no doubt that a number of benefits were available to and used by Canadians through online reservations, discounted room rates for pre-paid rooms paid for by Canadians in Canada, generating over \$50 million in revenue.

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Further, in cases where a party relies on statements in the Goods and Services Manual, it is important to consider the Manual as it read at the time of registration of an impugned trademark. As the Court stated, the meaning of terms in a registration can evolve with current usage of the words in ordinary parlance. As applied to the facts of this case, since the time of the original registration, the scope of services delivered online has expanded greatly, and the meaning of “hotel services” must adapt to reflect this.

It is important to note that Section 45 proceedings are intended to be expeditious and summary in nature, are based on affidavit evidence that is subject to different evidentiary standards than trademark infringement, expungement, or opposition proceedings, may not be subject to cross examination, and ambiguities in evidence may be resolved in favour of the trademark owner. For Section 45 proceedings in particular, much depends on the quality of the evidence before the Board and the Court. Further, this decision and the Court’s comments were highly fact-dependent and appear to be limited to the specific hotel services at issue. As the Court stressed in its decision, the question of trademark “use” must be determined on a case-by-case basis. As of today’s date, no appeal has been filed; however, this decision may be appealed by the requesting party.

Should you have any questions regarding this case or Section 45 proceedings in general, please contact a member of our Intellectual Property Group.

The author of this article gratefully acknowledges the contributions of articling student Paras Patel.

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