Cassels

A Franchise System's Ancillary Services May Support a Canadian Trademark Registration for Primary Services Offered Outside of Canada

12/15/2020

Summary and Implications

In *Miller Thomson LLP v. Hilton Worldwide Holding LLP*[1], the Federal Court of Appeal held that use of a trademark in association with services that are ancillary to the primary service the trademark had been registered for was sufficient to maintain registration of the trademark for the primary service. In this case, Canadians were using certain online services associated with the WALDORF ASTORIA hotel located in New York City, such as reservation services, and that was sufficient to maintain the registration of the trademark in Canada for WALDORF ASTORIA for use in association with hotel services.

It is important to note that these types of cases are fairly fact dependant. However, with some careful planning, use of a trademark in Canada in association with ancillary services may be sufficient to support a trademark registration for an organisation's primary services, even though the primary services are not being provided in Canada.

Accordingly, while a franchise system might not have current plans to expand into Canada, registering a trademark on the basis of ancillary services available to Canadians may support a trademark registration for the franchise system's primary services, preventing others from using or registering a confusingly similar trademark for those primary services.

Background of the Case and Findings

Generally, to maintain a trademark registration, a trademark needs to be used in Canada in association with the goods and services for which the trademark has been registered. Under Section 45 of the *Trademarks Act*[2] there is a mechanism to expunge trademarks that are not being used. This is to ensure that trademarks that are not being used are available to others for their use.

Hilton Worldwide Holding LLP (Hilton) owned the registered trademark WALDORF ASTORIA, which had been registered for hotel services. A request had been made under Section 45 of the *Trademarks Act* which required Hilton to show that the trademark had been used in Canada in association with hotel services at

some point during the previous three years. If the trademark had not been so used “and that the absence of use has not been due to special circumstances that excuse the absence of use” the registration of the trademark may be expunged or those goods and services for which the trademark had not been used may be removed from the registration.[3]

A Section 45 proceeding was conducted under the authority of the Registrar of Trademarks.[4] In the course of that proceeding, it was argued by Hilton that hotel services constitute a number of services in addition to the provision of a hotel room. These services include reservation services and payment services as well as services related to their guest loyalty program. Hilton argued that by providing these other services they were providing hotel services and therefore, the trademark was being used in Canada in association with hotel services, as required to maintain their registration of the trademark.

Following submissions and arguments, the Registrar of Trademarks ruled the trademark registration be expunged. The Registrar of Trademarks stated: “If someone says they offer ‘hotel services’ in Canada, the average consumer is expecting a hotel. If the customer has to leave Canada to actually enjoy the service, this is not ‘hotel services.’”

The matter was appealed to the Federal Court of Canada.[5] The Court looked at the overall purpose of the *Trademarks Act* and quoted Justice Binnie of the Supreme Court of Canada in *Mattel, Inc. v. 3894207 Canada Inc*[6] at paragraph 71:

[T]he legal purpose of trade-marks continues (in terms of s. 2 of the *Trade-marks Act*, R.S.C. 1985, c. T-13) to be their use by the owner “to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others”. It is a guarantee of origin and inferentially, an assurance to the consumer that the quality will be what he or she has come to associate with a particular trade-mark (as in the case of the mythical “Maytag” repairman). It is, in that sense, consumer protection legislation.

The Federal Court of Canada then went on to state:

This analysis views the protection from both the perspective of the owner of the trade-mark and the consumer. … It is consistent with the purpose of the Act, and with the expectations of the trademark owner, the consumers, and the society in which the mark operates.

After reviewing the facts and prior cases, the Federal Court of Canada determined that the trademark registration should stand and stated:

- the word “services” should be liberally construed, and can, in appropriate cases, include “primary, incidental or ancillary” services;
- the ordinary commercial understanding of “hotel services”, viewed from the perspective of the trademark

owner and the consumer, includes reservation services;

…

- people in Canada could take a meaningful benefit from the delivery of hotel services by Hilton, through the on-line reservation service, and in particular the discounted room rate available for a pre-paid room paid for by Canadians in Canada, as well as the Hilton rewards points received with hotel bookings;

The case was then appealed to the Federal Court of Appeal.[7] The Federal Court of Appeal upheld the lower Court's decision and stated:

In contrast, the evidence in this case is that reservation, booking or payment services are not "tangentially related" to "hotel services". Mr. Eriksen [Counsel, Brands & Intellectual Property for Hilton Worldwide] was clear that hotels simply could not operate unless customers were able to reserve, book and pay for hotels rooms in advance of their stay. The uncontradicted evidence before the Registrar was that such services were not "tangentially related" to "hotel services", but were in fact "integral to the provision of hotel services".

In providing some context to these types of cases the Court stated:

However, as was noted earlier, every case will turn on its own individual facts, and evidence that is relevant in one case may not be relevant in another. Ultimately, the question in each case will be whether the trademark owner has provided evidence that establishes that people in this country can derive a material benefit from services that are performed in this country.

Key Takeaways

This case reaffirms that it is possible to maintain a trademark registration in Canada for the primary service of an organisation through providing services that are ancillary to the primary service. As stated, each case will be decided based on its own facts and it is key that Canadians derive a material benefit from those services.

As such, a franchise system may be able to protect a valuable trademark in Canada by registering their trademark and supporting that trademark registration by providing services in Canada that are ancillary to the franchise system's main services. In doing so, the franchise system should ideally:

1. provide as many ancillary services as possible to Canadians;
2. maintain ongoing and extensive communication with customers in Canada;
3. ensure that many Canadians are benefiting from the services;

4. be able to demonstrate that meaningful benefits are being received by Canadians; and
5. show extensive sales in Canada.

---

[1] 2020 FCA 134, http://canlii.ca/t/j9kz1

[2] R.S.C., 1985, c. T-1

[3] Section 45(3) of the *Trademarks Act*

[4] 2017 TMOB 19, http://canlii.ca/t/gxkfp

[5] 2018 FC 895, http://canlii.ca/t/htw2d

[6] 2006 SCC 22, http://canlii.ca/t/1nfhl

[7] 2020 FCA 134, http://canlii.ca/t/j9kz1

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.