

TRADEMARK USE: NO NEED FOR A "BRICKS AND MORTAR" PRESENCE IN CANADA

By Colleen Spring Zimmerman and Catherine Hart

"Use it or lose it" is a staple expression known to Canadian trademark lawyers. Once a business successfully registers a trademark in Canada, it must "use" its registered mark in Canada or it may lose the protections provided by the *Trademarks Act* (the "**Act**"). With the advent of e-commerce, many non-Canadian businesses can now advertise their services to Canadians online. Demonstrating use of the mark in association with such services online by the non-Canadian business may prove challenging.

The Federal Court of Appeal (the "**FCA**") recently confirmed in [Miller Thomson LLP v Hilton Worldwide Holding LLP](#)¹ that a business may be able to establish use of its mark in Canada in association with its services, despite not having a "bricks and mortar" presence in Canada. This case is important for two reasons: (1) it confirms that a trademark owner may be able to establish use of its mark in association with services without a physical presence in Canada; and (2) it reminds trademark owners that keeping detailed records of the use of their registered marks is necessary for their continued protection under the Act.

Background

Hilton Worldwide Holding LLP ("**Hilton**") owns the Waldorf Astoria hotel located in New York City, as well as other Waldorf Astoria hotels around the world. Hilton's trademark portfolio includes the Canadian trademark WALDORF ASTORIA, which is registered for use in association with "hotel services".² However, no hotel has been operated in Canada using this registered mark.

A Canadian developer sought to register marks including the name "Waldorf", which Hilton, not surprisingly, opposed. In response, the law firm acting for the developer used subsection 45(1) of the Act, to ask the Registrar to give notice to Hilton that it was required to show use of its registered mark in Canada in the three years immediately preceding the date on which it received the Section 45 notice.

Importantly, the Act provides that "a trademark is deemed to be used in association with services if it is **used or displayed in the performance or advertising of those services**" [emphasis added]. Consequently, Hilton was required to establish that it used the



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¹ 2020 FCA 134.

² *Ibid* at para 2.

WALDORF ASTORIA mark while performing or advertising hotel services, in the absence of a "bricks and mortar" hotel operating under the Waldorf Astoria name in Canada.³ If unable to establish use of its mark in Canada or special circumstances which justified the non-use of the mark, Hilton's registered trademark was at risk of being expunged (removed) from the Register.⁴

The Registrar's Decision

Before the Registrar, Hilton maintained that it had used its WALDORF ASTORIA registered mark in Canada since at least 1988 in association with hotel services.⁵ Hilton maintained that "hotel services" encompasses "reservation services, booking and payment services, and access to hotel rooms".⁶ Although Hilton did not operate a hotel using its registered mark in Canada, it had a hotel reservation system that enabled Canadian customers to secure a hotel reservation by paying a deposit at the time of booking or to obtain a discounted rate by paying in full in advance. As well, Hilton maintained a loyalty program for Canadians⁷. The Waldorf Astoria mark was displayed at the time of booking and payment and on the emails sent to Canadians confirming their bookings⁸.

The Registrar rejected Hilton's position and found that in ordinary commercial terms, "booking", "planning" and "reservation" services are not "hotel services". The Registrar further found that if a customer had to leave Canada to enjoy the service, it was not a "hotel service" performed in Canada. Even though customers could book hotel rooms at Waldorf Astoria hotels from within Canada, the Registrar concluded that the performance of Hilton's "hotel services" could only be completed by customers travelling outside of Canada⁹. Correspondingly, the Registrar held that Hilton did not establish use of its mark in Canada and expunged the registration.

The Federal Court's Decision

On appeal, the Federal Court noted that the concept of "services" is to be liberally interpreted, and that "services" may include those that are "incidental" or "ancillary" to the primary service identified in the registration¹⁰. The Federal Court recognized that to meet the requirement of use under the Act, it was essential that some aspect of the registered service be offered directly to Canadians or be performed in Canada¹¹. The Federal Court held that "people must, moreover, be able to derive a

³ *Ibid* at para 3.

⁴ *Ibid* at para 11.

⁵ *Ibid* at para 17.

⁶ *Ibid* at para 18.

⁷ *Ibid* at para 20.

⁸ *Ibid* at para 19.

⁹ *Ibid* at para 25.

¹⁰ *Ibid* at para 30.

¹¹ *Ibid*.

tangible, meaningful benefit from the use of a mark in association with the registered service in Canada in order to establish use of the mark in this country".¹²

The Federal Court concluded that the Registrar committed numerous errors, including failing to consider evidence before her and failing to follow binding authority, that the reservation services and loyalty program constituted "hotel services" and that Canadians obtained material benefits from the use of Hilton's mark in association with its registered service because Canadians used the Waldorf Astoria hotels and obtained certain discounts and loyalty points in connection with their online bookings¹³. Consequently, the Federal Court reversed the Registrar's decision and maintained the trademark registration.

The FCA's Decision

On further appeal, the FCA held that the Federal Court had correctly applied the test for "use" of a trademark for services.¹⁴ The FCA upheld the Federal Court's approach to interpreting the term "hotel services" and noted that the Act "does not distinguish between primary and incidental or ancillary services".¹⁵ The FCA further held that "as long as a **material benefit** is obtained from the activity in issue, it will amount to the performance of the service in this country"¹⁶. [emphasis added].

Ultimately, the FCA found that there was no palpable and overriding error made by the Federal Court with respect to its finding that Canadians obtained material benefits from Hilton's hotel services. Correspondingly, the Court upheld the Federal Court's decision that Hilton had established use of its mark in Canada in association with hotel services and was entitled to maintain its trademark registration.

Implications for Trademark Owners

This Hilton Case means that Canadian courts will continue to maintain a broad interpretation of "use" in association with services in connection with Section 45 proceedings. However, as noted by the FCA, cases pertaining to use will ultimately turn on the quality of the evidence of use provided by the trademark owner¹⁷.

With respect to furnishing evidence of use, the FCA noted that "the mere display of a mark on a website from outside of Canada will not suffice to establish use of the mark in this country in association with registered services".¹⁸ The FCA further noted that "there must, at a minimum, be a

¹² *Ibid* at para 31.

¹³ *Ibid* at paras 32 and 91.

¹⁴ *Ibid* at para 84.

¹⁵ *Ibid* at paras 107-108.

¹⁶ *Ibid* at para 115.

¹⁷ *Ibid* at para 146.

¹⁸ *Ibid* at para 147.

sufficient degree of interactivity between trademark owner and Canadian consumers to amount to use of a mark in Canada in conjunction with services over the internet".¹⁹

Correspondingly, trademark owners that advertise or sell services to Canadians without a "bricks and mortar" presence should be prepared to present detailed information with respect to their business activities in Canada including, but not limited to:

- website metrics showing the number of times that a website displaying a mark has been accessed by consumers in Canada;
- evidence showing the number of Canadians who have availed themselves of the online services offered in conjunction with the mark;
- sales figures with respect to the value of the registered services that have been provided to Canadian consumers over the internet;
- evidence with respect to the location of servers in Canada;
- evidence showing that prices are listed in Canadian dollars; and
- evidence that demonstrates that Canadian consumers are targeted by the business' online advertising.

The other side of this decision is that companies have to be careful in adopting marks in Canada used for services in other jurisdictions. That use may cross the Canadian border electronically and be a deterrent to adoption, use and registration of the same or a confusingly similar mark in Canada.

¹⁹ *Ibid.*