

## ENSURING SUITE DREAMS: TRADEMARKS & BRANDING IN CANADA IN THE HOSPITALITY INDUSTRY

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Expanding a hospitality or restaurant chain into Canada is an attractive option for many international businesses. While Canada tends to share many key characteristics in the hospitality industry with the United States (e.g., skilled workforce and consumer demand for hospitality and restaurant businesses), there are certain important differences that require attention. Below is a discussion of key trademark legal differences any interested party ought to consider when planning to expand into the Canadian market or if it has already entered the Canadian market.

### TRADEMARKS

Most businesses hold intellectual property that forms one of the most important assets of any company. Trademark rights are territorial, and U.S. trademark rights do not automatically provide protection abroad. Accordingly, it is a priority to ensure brand protection continues as any expansion occurs in Canada. This typically means applying to register a company's trademarks with the Canadian Intellectual Property Office. Registration provides for the most protection under the Canadian *Trademarks Act* (the "**Act**") by granting a registrant the exclusive right to use those trademarks in all of Canada. While "use" of a trademark is no longer required for registration in Canada, "use" is still very important. It provides a registrant with the ability to oppose third-party applications, to sue third parties who use confusingly similar trademarks, and it is required in order to maintain any trademark registration. What constitutes "use" of a trademark is further described below.

### EVIDENCING USE IN CANADA

In *Miller Thomson LLP v. Hilton Worldwide Holding LLP*, 2020 FCA 134, the Federal Court of Appeal (the "**Court**") confirmed that "use" of a trademark in association with services in Canada does not require a "bricks and mortar" store. Instead, each case will turn on its own individual facts. Accordingly, *Hilton* provides invaluable guidance for hospitality businesses operating abroad and seeking trademark protection in Canada.

## OVERVIEW

By way of background, the *Act* will deem a trademark in “use” if the trademark is marked on goods themselves or on the packages or labels for the goods or if it is “used or displayed in the performance or advertising of ... services.” However, the mere advertising of services will not suffice. Some aspect of the services must be performed or delivered in Canada.

Hilton Worldwide Holding LLP (“**Hilton**”) is the owner of the WALDORF-ASTORIA mark (the “**Mark**”) registered for use in association with “hotel services” since 1988. The appellant, Miller Thomson, is a law firm that represented a client engaged in the hotel business looking to register WALDORF-formative trademarks. The Registrar of Trademarks (the “**Registrar**”) issued a notice to Hilton pursuant to section 45 of the *Act* requiring that Hilton establish “use” of the Mark in Canada in association with “hotel services” during a specified three-year preceding period. While a section 45 proceeding has a lower legal threshold for establishing “use”, sufficient evidence nonetheless has to be presented.

The Registrar had concluded that the absence of a “bricks and mortar” hotel in Canada was fatal to Hilton’s claim of use of the Mark. On appeal, the Federal Court held that providing “hotel services” did not require a physical hotel in Canada to constitute “use” of a mark. Instead, it was essential that some aspect of the registered service be *offered directly to Canadians or be performed in Canada*. Canadians must, moreover, be able to derive a *tangible, meaningful benefit* from the use of a mark in association with the registered service in Canada.

## EVIDENCE PRESENTED

In response to the section 45 notice, Hilton provided affidavit evidence demonstrating that:

- Canadian customers can make hotel reservations at Waldorf Astoria hotels through travel agent booking systems such as Expedia and Travelocity, as well as through Hilton’s own centralized online reservation system (where the Mark was displayed throughout);
- Canadian consumers can secure hotel reservations by providing a deposit at the time of booking, or they can obtain a discounted rate by making a non-refundable payment at the time of booking (with some 1,300 people from Canada enjoying such benefit);
- Canadians (400,000 enrolled) were part of Hilton’s “HILTON HHONORS” loyalty program, where they could earn points at hotels and could be redeemed for stays in Canada;
- 41,000 people with addresses in Canada had stayed at Waldorf Astoria hotels during the relevant period, generating approximately \$50 million in revenue; and
- Hilton’s plans for the construction of a Waldorf Astoria hotel in Montreal, the reasons why the hotel was never built, and its ongoing interest in developing a hotel in Canada.

## WHAT ACTIVITIES CONSTITUTE THE PERFORMANCE OF HOTEL SERVICES IN CANADA

On further appeal, the Court held the term “hotel services” must be considered in its *ordinary commercial usage*, “... some of which are naturally now able to be ‘performed’ (from the owner’s perspective), or ‘enjoyed’ (from the customer’s perspective) in Canada.” Furthermore, as the law does not distinguish between primary, incidental, or ancillary services (*e.g.*, payment services), “as long as some consumers, purchasers or members of the public in Canada receive a material benefit from the activity in issue, it will amount to the performance of the service” in Canada.

The Court ultimately found Hilton had established there were several benefits that “were available to people in Canada, over and above their eventual” stay at a physical hotel based on the provided evidence. However, the evidence did not clearly state “loyalty points are earned at the time that a hotel room is booked, rather than at the time that the guest actually stays” at a hotel. Nonetheless, the Court found the fact that “members can earn loyalty points from stays at Hilton properties both in Canada and abroad ... is clearly a benefit that can be enjoyed by Canadians in Canada.”

## **FUTURE-LOOKING IMPACT**

While the Court held that the “requirements for “use” must adapt to modern commercial practices” the “concept of “use” [nonetheless] cannot be completely open-ended”. At the core of it all, cases will turn on the quality of the evidence provided by the trademark owner. Bare assertions of use will not be enough and the ability of individuals in Canada to passively view content on a foreign website will be insufficient to constitute use of a mark in Canada. There must, at a minimum, be a “sufficient degree of interactivity between trademark owner and Canadian consumer to amount to use of a mark in Canada in conjunction with services over the internet.”

Evidence to demonstrate Canadians can derive a material benefit from the services include: website metrics showing the number of times a website displaying the mark has been accessed by Canadians; Canadian sales figures; evidence of servers present in Canada; targeted advertising to Canadians; and evidence that prices are listed in Canadian dollars, amongst other things.