



You Need More than Reservation Services to Reserve and Preserve Your Rights in Canada

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In *Live! Holdings, LLC. v Oyen Wiggs Green & Mutala LLP and Pickering Developments (Bayly) Inc.*, [2019 FC 1042](#) (“Live!”), the Federal Court of Canada again weighed in on the issue of trademark “use” by businesses without any bricks and mortar presence in Canada. The decision confirms that to sustain a registration for services such as entertainment and hotel services, more than merely the ability to reserve in Canada for such services offered elsewhere is required; there must be a “tangible and meaningful benefit” received *in Canada*.

The prevalence of online commerce poses interesting issues in the determination of “use” necessary to maintain registered trademark rights. Most Canadian decisions on trademark use originate from non-use challenges under section 45 of the *Trademarks Act*, which provides a mechanism to cancel unused registrations after the third anniversary of registration in the absence of use in Canada during the preceding three years. Such non-use proceedings have been characterized as a mechanism to clear “deadwood” from the Register, and with Canada’s new trademark regime, where “use” is no longer necessary to obtain a registration, setting clear guidelines on what is necessary to maintain a registration is increasingly important.

The Live! decision issued following an appeal of the Registrar’s decision to cancel the LIVE registration for non-use. On appeal, the registrant (“Live! Holdings”) filed evidence pertaining to entertainment services, hotel services and advertising and marketing services for others. Argument focused on whether the use was “by the registrant”, whether use in association with ancillary reservation services amounted to “use” for hotel and entertainment services, and, if not, whether there were special circumstances excusing non-use.

Must show use “by the registrant”

The provisions of s. 45 of the *Trademarks Act* require evidence of use “by the registrant”. This issue is commonly raised by parties challenging evidence of use in Canada (as well as those defending allegations of infringement and depreciation of goodwill). Past decisions have acknowledged that a registered mark can be cancelled or be found unenforceable, even if in use in Canada, if such use is not by the registrant. However, if an entity is licensed by the owner, and the owner maintains direct or indirect control over the character and quality of the goods/services, such use is deemed (by s. 50 of the *Act*) to have the same effect as use by the registrant. As a result, any registrant who does not itself use the mark in Canada should be prepared to show that such use is pursuant to a controlled license. A license can be inferred from suitable facts, even in the absence of a written license.

Generally, the evidentiary onus in s. 45 non-use proceedings is intended to be more relaxed than in litigation, and existing precedent confirms that proof of controlled licensing may be by (i) statements under oath that the registrant exercises the required control, (ii) evidence of how control is exercised, or (iii) a copy of a license agreement that specifically provides for control. In Live!, the evidence did not show any use by the registrant directly. However, Live! Holdings alleged that the services were performed by affiliates, and submitted, as part of its evidence, sworn statements that control had been exercised in the past. While the Judge confirmed that an inference of control might be drawn from suitable facts, she held there was insufficient information to identify the licensees, or how control was exercised within the relevant timeframe. Thus, there was no evidence of use by the registrant. While that could have ended the analysis, the Judge continued to review the evidence of use.



Ability to access non-Canadian websites to make reservations for foreign hotel or entertainment services, alone, is not use in Canada: there must be a tangible and meaningful benefit to people in Canada

In *Live!*, the Judge reviewed a line of cases all dealing with “use in Canada” based on ordering goods or reserving services from companies located outside of Canada. Some of the decisions address claims that the services performed, e.g. ticket ordering or travel/hotel reservation services, are integral or ancillary to the registered travel or hotel services – such that even without a Canadian hotel, for example, hotel services are being performed. This is a common response of registrants who do not have a Canadian presence, and who have not specifically included “reservation services” in the registered services, as was the case with the *LIVE* mark.

In summarizing the law, the Judge noted the necessity of showing a tangible and meaningful benefit, experienced by consumers *in Canada*. Mere online website accessibility by Canadians is not enough – nor is “using online reservation portals that permit them to purchase tickets or book rooms for venues or hotels in the US” (para. 92). Some benefit in Canada is required. For example, in the recent decision in *Hilton Worldwide Holding LLP v Miller Thomson*, 2018 FC 895, a direct benefit in Canada was found since those who booked and paid for hotel rooms in the United States using the registrant’s online reservation services received both discounted rates, and rewards points that could be redeemed for hotel stays in Canada. *Live!* Holdings ancillary reservation services offered no such benefits. While reward points were available, they could be redeemed only in the United States. Similarly, while tickets to US events could be ordered online, the Judge found that the benefit, namely knowing you will be admitted when you arrive, was not “enjoyed” in Canada. Instead, any tangible benefit from the services occurred in the United States and not in Canada – and thus there could be no trademark use in Canada.

Non-use is only excused by special circumstances

Under s. 45, non-use may be excused by special circumstances. The Judge dismissed *Live!* Holdings’ claim that, in this case, non-use should be excused by factors such as disputes with business partners and regulatory bodies that delayed startup, or general delays caused by the size of the project, since it has an intention to resume use. Non-use must be due to special circumstances – described by the Judge to be “uncommon, unusual or exceptional” – and *Live!* Holdings’ evidence was too vague to find that its experience was out of the ordinary.

Lessons for brand owners

Canada’s new trademark regime is expected to result in more filings, and more registrations for marks that are not used in Canada. As a result, it is expected that the number of non-use cancellation proceedings will steadily increase as brand owners and their advisers try to clear the Register of potentially confusing registrations. Both for brand owners hoping to maintain and enforce their registered marks, and those trying to cancel potential obstacles to registration, evidence of use in Canada will be critical.

Technology offers steadily increasing opportunities for businesses to interact with consumers from a distance – using online portals to order goods or perform a myriad of services. Trademark law clearly acknowledges that a bricks and mortar presence in Canada is not a prerequisite to a finding of use in Canada. However, what level of interaction with Canadian consumers is necessary? Brand owners need to be able to identify the service offered or benefit enjoyed “in Canada” to maintain their marks. Presumably being able to receive goods at a Canadian address is such a service – permitting registrants to claim use in Canada for online and retail services when delivering goods originating out of the country. Other services are less tangible – the Judge in *Live!* stated that merely having the assurance that you have a ticket for a US entertainment event, or a room for the night in a US hotel is not enough to show use in Canada of an “ancillary” service related to the registered entertainment or hotel services. There needs to be a tangible Canadian benefit. Registrations should be reviewed to ensure that they cover a service actually offered in Canada (e.g., reservation services; loyalty rewards programs, etc.) – and if not, owners may want to update their coverage to ensure that registrations are enforceable, and can withstand a non-use challenge.

In addition, brand owners need to pay attention to the impact of use of their marks by others. To maintain the distinctiveness of a mark, and ensure that registrations are both enforceable and insulated from a non-use challenge, there needs to be both a license, and clear evidence that the registrant exercises control (directly or indirectly) over the character and quality of the goods/services. While a written license is not formally required, it is easier to show the existence of a license with documentary evidence. Even more important is being able to show how control is exercised. While judicial



precedent has made proof of controlled licensed use relatively simple by offering acceptable evidence options, the facts need to support the allegations.

Bereskin & Parr's trademark team has the experience to assist in determining whether registrations are valid and enforceable, and, if not, to help with strategies to protect valuable brand assets. We're here to help.

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