

Is it “common sense” that “hotel services” requires a bricks and mortar hotel in Canada?

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There is a new ray of hope for trademark owners with registrations covering hotel services, but without a “bricks and mortar” hotel in Canada. The prevailing trend over the past several years has been that trademarks covering “hotel services” could not be maintained in Canada in response to summary non-use cancellation proceedings, unless there was a bricks and mortar hotel in Canada. However, the September 7, 2018 decision of the Federal Court in *Hilton Worldwide Holding LLP v Miller Thomson*, 2018 FC 895 (“*Hilton*”) has not followed that trend, reversing the Registrar’s decision to expunge the world-famous Hilton hotel chain’s registration for the trademark WALDORF-ASTORIA for “hotel services”.

Background

The first WALDORF-ASTORIA hotel opened in New York in the 1930s. Today, there are dozens of WALDORF-ASTORIA hotels in major cities worldwide, but none in Canada. In response to a Section 45 summary cancellation notice, Hilton filed evidence of use of the WALDORF-ASTORIA mark in Canada with the following services: an interactive website; worldwide reservation services; reward points to Canadian loyalty program members; Canadian customer communications displaying the mark, and perhaps most importantly, customer discounts on non-refundable pre-paid rooms (more than 1,300 reservations were pre-paid by Canadian customers during the relevant three-year period).

Trademarks Office Decision

Before the Trademarks Office, Hilton’s initial evidence was considered insufficient to show use of the mark with “hotel services”. According to the Hearing Officer, “[u]nlike retail store services... a hotel cannot be operated via the Internet or a telephone number; it is contrary to common sense to equate the ability to make hotel reservations or other bookings with the operation of a hotel”.

The Registrar relied heavily on a prior hotel services-related decision – *Stikeman Elliott LLP v Millennium & Copthorne International Limited*, 2017 TMOB 34 (“*M Hotel*”). That case involved two marks covering “hotel services and reservation services in relation to hotels”. The hotel itself was located in Singapore, but reservations could be made by customers in Canada through the hotel’s website, and the hotel offered event planning services to Canadians arranging events at the hotel. The Registrar concluded that the website’s reservation platform, which the evidence showed was accessed by customers in Canada during the relevant period, constituted “use” sufficient to maintain the registration for the reservation services. However, without a bricks and mortar hotel in Canada, the

“hotel services” were ordered expunged, despite the performance of “ancillary” services to customers in Canada like event planning.

That decision, like this and other hotel decisions, turned on whether the “hotel services” were available to be performed in Canada. Section 4(2) of the *Trade-marks Act* deems a mark to be “used” in association with services if “used or displayed in the performance or advertising of those services”.

What constitutes a “service” is not defined in the *Act*. Some past court decisions have held that where the performance of the advertised services could only be completed by travel abroad, there is no use “in” Canada (see *Marineland Inc v Marine Wonderland and Animal Park Ltd* (1974), 16 CPR (2d) 97 (FCTD)).

Other more recent decisions, however, have suggested that performance of related or ancillary services in Canada could constitute “use” with the main or primary services. For example, in *Venice Simplon-Orient-Express Inc v Société Nationale des Chemins de Fer Français SNCF* (2000), 9 CPR (4th) 443 (FCTD) (“*Orient Express*”), the Federal Court held that the ability of customers in Canada to reserve, book, or pay for train services in Canada could support “use” of the mark in respect of “travel services, namely passenger rail services”, even though the physical train was in Europe.

Despite these cases, the Opposition Board has since 2012 held that that the performance of ancillary “hotel” services in Canada does not constitute the “performance” of “hotel services” in Canada (*Bellagio Limousines v Mirage Resorts Inc*, 2012 TMOB 220, the 2017 *M Hotel* decision, and *Ridout & Maybee LLP v Sfera 39-E Corp*, 2017 TMOB 149 (collectively, the “hotel cases”)).

In the *Hilton* decision before the Opposition Board, the Registrar followed the hotel cases in deciding to expunge the registration for WALDORF-ASTORIA, holding:

Statements of goods and services need to be in ordinary commercial terms and should be interpreted as such. It is a purposive interpretation, not an academic one. 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”. As stated in *Bellagio* and *M Hotel*, it is contrary to common sense to equate the ability to make hotel reservations or other bookings with the operation of a hotel. Likewise, even if a loyalty program can be enjoyed in/from Canada, this is not offering “hotel services”. “Hotel services” is not the ordinary commercial term for a loyalty program.

... I note that the CIPD Goods and Services Manual expressly provides for the terms “hotel services” and “hotels” as pre-approved terms, separate from other hotel related services like “hotel reservations”, “hotel room booking services”, “hotel management”, and “hotel management for others”.

Conflict between Retail Store Services and Hotel Services Cases

The hotel cases are in stark contrast to recent cases dealing with retail store services, including, most notably, *TSA Stores, Inc. v Registrar of Trade-marks*, 2011 FC 273 (“*TSA*”). In that case, the Applicant TSA was the second largest sporting goods retailer in the world, with approximately 400 retail stores in the United States selling sporting and fitness equipment. For a time, it operated six stores in Canada, but they were closed in 2000.

TSA owned four registrations which were registered for various goods and services including “operation of retail stores for the sale of sporting equipment and clothing”, and “retail store services featuring sporting equipment and clothing”. On appeal, and with additional evidence, TSA argued that (i) these marks were used on its website, (ii) its website was accessible in Canada, (iii) the word “services” must be given a liberal interpretation, and (iv) the *Trade-marks Act* makes no distinction between primary, incidental and ancillary services. As long as members of the public, consumers or purchasers, receive a benefit from the activity, it was a service pursuant to the *Trade-marks Act*.

The Federal Court held that the even though TSA could show no sales in Canada, and even though its website had no e-commerce capability, it was “of benefit to Canadians” and showed use with “retail store services”, because it had a “Shoe Finder” service (to find the shoe which best suits a defined need), a “Help Me Choose Gear” service (providing detailed descriptions about a vast array of products), and a “Store Locator” service (allowing a user to find the nearest store in the United States).

According to the Court, “...visiting this service on the Website is akin to visiting a bricks and mortar store and benefiting from a discussion with a knowledgeable salesperson”.

Federal Court *Hilton* Decision

On appeal, Hilton sought to distinguish the various hotel cases mentioned above, noting that all were before the Opposition Board. In addition those decisions did not address the type of evidence that was before the Registrar in this case (including an industry-specific definition of hotel services), nor evidence with respect to the number of pre-paid room reservations. In addition, the hotel cases were, it was argued, inconsistent with how the term “services” was defined in the *TSA* case, which has been followed in dozens of subsequent cases (but in none of the hotel cases).

Hilton also filed additional evidence, on the appeal specifically, evidence demonstrating that at the time the WALDORF-ASTORIA registration was registered in 1988 (and until at least 2006), the terms “hotel services” and “management of hotels” appeared as approved descriptions in the Canadian Intellectual Property Office’s *Goods and Services Manual*, whereas “hotel reservation services”, and “hotel booking services” did not. Hilton argued that at the time of application and registration, the term “hotel services” was considered broad enough by CIPO to include “hotel reservation services”.

On an appeal, the first issue is typically determining the standard of review. In relation to the new evidence, Justice Pentney held that the standard of review was correctness, but with respect to the existing evidence, he applied the reasonableness standard. Interestingly, Justice Pentney found that in assessing the existing evidence, the Registrar had erred unreasonably in several respects, by:

- Failing to follow binding authority regarding the scope of services as including primary, incidental and ancillary services (e.g., the *TSA* and *Orient Express* cases).
- Failing to examine the nature of the benefits received by people in Canada in association with the delivery of the “hotel services”. Specifically, the direct contact Hilton had with customers in Canada, some of whom pre-paid for rooms in exchange for a discounted room rate, and some of whom received points towards hotel stays.
- Failing to consider the actual words used in the registration itself. On this point, Justice Pentney stated at paras. 86-90:

... I find that the term "hotel services" naturally includes a series of related things, some of which can only be delivered at the physical hotel, but some of which are naturally now able to be "performed" (from the owner's perspective), or "enjoyed" (from the customer's perspective) in Canada.

I find that it does not strain the ordinary understanding of the term "hotel services" in 1998, and during the relevant period here, would include registration services. This is particularly true where - as here - the entire transaction can occur on-line, from within Canada, and where Canadians can take a number of benefits from this contract, over and above the eventual enjoyment of their actual stay in the hotel.

The evidence here is that Hilton registered under the term "hotel services".... The evidence also shows that, as of 2006, the Manual included "hotel services" as a pre-approved term for registration, but did not include the more specific expression "hotel registration services".... I find that the current terminology in the Manual cannot be used to interpret the proper scope of registrations that pre-date such wording, without an explanation as to the relevance of the later additions....

I find that the term "hotel services" could include hotel registration services, for the purposes of determining use of a trademark for services in a s. 45 proceeding, but only if it is demonstrated that people in Canada obtained some tangible, meaningful, benefit from such use.

- Failing to consider the only evidence on the ordinary understanding of the term "hotel services", namely, the affidavit of Hilton's Counsel, Brands and Intellectual Property, who stated that in the hotel industry, the term "hotel services" includes reservation services, booking and payment services, and access to hotel rooms".
- Applying the current version of the Goods and Services Manual to interpret the meaning of a registration dating from 1988.

The Take Away

On its face, this decision brings the hotel cases in line with the retail store services cases, such as TSA. However, it will be interesting to see how broadly this decision will be applied in future cases. For instance, in the context of future "hotel services" cases, will courts focus on the interactivity of the hotel's website and the "benefit" given to Canadians, or will courts focus on whether hotels offered pre-paid reservation (or potentially other) services to Canadians, or will courts focus more narrowly on when the registration issued in determining how the term "hotel services" (or comparable terms) should be interpreted. We may not have heard the end of this, however, as the Respondent has until October 7, 2018 to appeal.

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Meghan is a member of the Trademark Examination Board and past Chair of the Intellectual Property Institute of Canada's (IPIC) Trademark Agent Training Course Committee. She is also a member of the Editorial Board of the CIPR and IPIC's Trademark Legislation Committee, as well as *The Trademark Reporter* Committee through the International Trademarks Association (INTA).

Meghan has experience in negotiating and drafting various types of author agreements from working for several years at a well-known Canadian publishing house. During this time, she also obtained a Certificate in Publishing from Ryerson Polytechnic University.