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# Canada: Use of a Mark for “Hotel Services” Does Not Require Brick-and-Mortar Hotel in Canada

By [Katherine Lyon Dayton](#)

*Miller Thomson LLP v. Hilton Worldwide Holding LLP, 2020 FCA 134*

## Background

The first WALDORF-ASTORIA hotel opened in New York City in the 1930s, and it was acquired by Hilton Hotels Corporation in 1949, [More](#)

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## Background

The first WALDORF-ASTORIA hotel opened in New York City in the 1930s, and it was acquired by Hilton Hotels Corporation in 1949, the predecessor to Hilton Worldwide Holding LLP (“Hilton”). There are now a number of WALDORF-ASTORIA hotels in the United States and in major cities around the world. However, there has never been a WALDORF-ASTORIA hotel located in Canada.

The Canadian registration for the WALDORF-ASTORIA trademark for “hotel services” in Class 43, owned by Hilton, was challenged on the basis of non-use before Canada’s Registrar of Trademarks (“Registrar”). The challenger, Miller Thomson LLP, is a law firm that represents a hotel client that had been seeking to register various “WALDORF” formative marks. Hilton opposed these marks, and Miller Thomson filed a request with the Registrar for Hilton to demonstrate use of its 1988 registration for WALDORF-ASTORIA in association with “hotel services” during the relevant period, namely, October 2011 – October 2014.

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According to section 45 of Canada's *Trademarks Act*, a mark will be deemed used in association with services "if it is used or displayed in the performance or advertising of those services." Under Canadian law, advertising alone is insufficient, and there must be performance or delivery in Canada of some aspect of the services.

### **Case History**

#### ***Registrar***

The Registrar concluded that the absence of a "brick-and-mortar" WALDORF-ASTORIA hotel in Canada was detrimental to Hilton's proof of use in Canada in association with "hotel services," and ordered that Hilton's mark be expunged from the Register. In reaching this decision, the Registrar found that the ordinary commercial meaning of "hotel services" does not encompass "booking," "planning" and "reservation" services.

Hilton presented the following evidence before the Registrar:

- Canadian customers can make hotel reservations at WALDORF-ASTORIA hotels through Hilton's centralized online reservation system, where the mark is displayed during booking and payment and in the confirmation email. Customers can also book through third-party systems such as Expedia.
- The number of reservations made by customers with Canadian addresses who then stayed at WALDORF-ASTORIA hotels was 41,000. Hilton's revenue derived from those stays was approximately \$50 million.
- Evidence that, at the time of booking, customers can provide a deposit, or obtain a discounted rate by making a non-refundable payment. Around 1,300 people in Canada had obtained a discounted room rate by paying up-front, during the relevant period.
- Customers can join the HILTON HHONORS loyalty program to earn points at hotels within the Hilton Group's portfolio, which can be redeemed for hotels in this portfolio, including hotels in Canada. There are over 400,000 Canadians enrolled in this loyalty program.
- Hilton had planned to develop a WALDORF-ASTORIA hotel in Montreal, but these plans did not materialize. Nevertheless, Hilton has an ongoing interest in developing a hotel in Canada.

In analyzing the evidence, the Registrar noted it was “contrary to common sense” to equate hotel reservations with the operation of an actual hotel. In the Registrar’s view, Hilton’s “hotel services” could only be completed if a customer leaves Canada. In so holding, the Registrar relied on case precedent, notably a prior decision involving another hotel brand without a physical presence in Canada. The brand owner had registered its mark for both “hotel services” and “hotel reservation services.” The term “hotel services” was expunged for non-use, while “hotel reservation services” was retained.

### ***Federal Court***

On appeal, the Federal Court held the scope of the term “hotel services” is to be evaluated in terms of ordinary commercial usage, understood from the perspectives of both the consumer and the trademark owner. Reservation and booking services would commonly be understood to fall within the scope of “hotel services” as “part of the ordinary expectation of what is involved in the performance of hotel services.” The Registrar’s “common sense” understanding of the term wrongly equated “hotel services” with the operation of a hotel.

The Federal Court held that “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.” The Court noted that, in the case of Hilton’s online services, “Canadians can take a number of benefits from” online transactions provided by Hilton, “over and above the eventual enjoyment of their actual stay in the hotel.”

Benefits received by Hilton’s customers in Canada included:

- A discounted room rate for paying up-front for their hotel reservations.
- Email confirmation of their booking displaying the WALDORF-ASTORIA mark.
- Members of the Hilton loyalty program received points for each booking, which they could redeem for stays or other benefits at hotels in Canada and elsewhere.

The receipt of these benefits distinguished this case from many of the decisions cited by the Registrar.

Further, Hilton submitted on appeal additional evidence demonstrating that, before 2006, “hotel services” and “management of hotels” were the only pre-approved descriptions of hotel-related services

recognized by the Registrar. Additional terms such as “hotel reservation services” or “booking services” were introduced later, after Hilton’s mark registered in 1988. Thus, at the time of registration of the WALDORF-ASTORIA mark, “hotel services” was deemed to include “hotel reservation services.”

### **Decision of the Court of Appeal**

Miller Thomson claimed on appeal there was no evidence that making a hotel reservation was considered by anyone to be the performance of “hotel services.” The ordinary understanding of “hotel services” is the provision of a hotel room as the primary service.

The Court of Appeal agreed with the Federal Court’s holding that the only direct evidence presented adducing the ordinary commercial meaning of “hotel services” was Hilton’s evidence showing its reservations from customers in Canada, loyalty club memberships, etc. Further, the Court of Appeal affirmed the Federal Court’s holding that ancillary services such as payment and booking services are encompassed in the term “hotel services.” The term “services” should be construed liberally, and the *Trademarks Act* does not distinguish between primary and incidental services. As long as some members of the public, consumers or purchasers, receive a benefit from the activity, it is deemed a service.

Further, when the definition of “use” was first established in the *Trademarks Act* in 1953, there was no online commerce whatsoever. The Court of Appeals acknowledged that the understanding of “use” must adapt to “21<sup>st</sup> century commercial practices.” While the definition of trademark use cannot be too open-ended, the Federal Court was “satisfied that some aspects of ‘hotel services’ were performed in Canada, and that Canadians could receive a meaningful benefit in this country from those services.”

The Court of Appeals noted that cases such as this often hinge on the quality of the evidence presented. “Bare assertions” of use will not be sufficient, nor will the mere display of a mark on a website, or the ability of individuals in Canada to view content online. At a minimum, “a sufficient degree of interactivity between trademark owner and Canadian consumer” is required for use of a mark in Canada in connection with services over the internet. Potentially acceptable evidence might include:

- Website metrics such as the number of times a site displaying the mark has been accessed by people in Canada.

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- The numbers of Canadians who have availed themselves of online services offered in connection with the mark.
  - Sales figures for the value of the services that have been provided to Canadian consumers over the internet.
  - Proof that Canadians have used relevant streaming services.
  - Evidence showing that content offered by a website is stored on servers located in Canada.
  - Evidence showing that consumers in Canada are targeted with advertising, such as prices listed in Canadian dollars or other indicators that a website is directed to Canadian customers.

As noted, each case will be fact-specific. The ultimate question is whether the trademark owner produces evidence establishing that people in Canada derive a material benefit from services that are performed in Canada.

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This decision is an important one to hotel-brand owners who do not yet have a physical presence in Canada, but who nevertheless have an interest in the Canadian market—whether through a dedicated customer base in the country or through plans to open a hotel on Canadian soil in the future. A non-use cancellation action should be defensible if sufficient evidence can be adduced showing that people in Canada have interacted with the brand and derived a benefit from that interaction. Thoughtful and careful preservation of use evidence—before a non-use cancellation action is raised—is always a best practice for brand owners.

## Primary Contacts

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