

LUXURY HOTEL AND TIME- SHARE OPERATION EMBOILED IN FIGHT OVER “FAIRMONT” TRADE-MARK AND CORPORATE NAME

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The Federal Court of Canada recently ruled that, notwithstanding three other concurrent administrative and judicial proceedings regarding the ownership and use of the FAIRMONT trade-marks, the Director of Corporations Canada did not err in refusing to stay administrative proceedings pending before him regarding the registration of the corporate name “Fairmont”. (*Fairmont Hotels Inc. v. Director Corporations Canada*, 2007 FC 95 (O’Reilly J., January 29, 2007))

The Facts

Fairmont Hotels Inc. and Fairmont Hotels & Resorts Inc. (“Fairmont Hotels”) own and manage a chain of hotels. Fairmont Resort Properties Ltd. (“Fairmont Properties”), who own a time-share operation, launched three different proceedings before the Federal Court of Canada and the Trade-Marks Opposition Board regarding the Fairmont Hotels’ ownership and use of the trade-marks FAIRMONT. In addition, Fairmont Properties initiated a fourth proceeding before the Director of Corporations Canada requesting that Fairmont Hotels change their corporate name to remove the word “Fairmont” on the basis of an alleged risk of confusion between the parties’ respective corporate names.

It should be noted that pursuant to Section 25 of the *Canada Business Corporation Regulations 2001*, SOR/2001-512, the use of a corporate name is prohibited if it is confusing having regard to all of the circumstance of the case. For example, in deciding if a corporate name is confusing with a trade-mark, and therefore should be prohibited, the Director of Corporations Canada should consider:

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- 1) the distinctiveness of the trade-mark;
- 2) the length of time the trade-mark has been in use;
- 3) the nature of the business associated with the trade-mark;
- 4) the resemblance between the corporate name and the trade-name;
- 5) the territory in which the corporate name and trade-mark have been used.

When the Director of Corporations Canada requested evidence in response to Fairmont Properties' challenge, Fairmont Hotels asked the Director of Corporations Canada to stay the proceedings. Fairmont Hotels argued that since it was the registered owner of the FAIRMONT trade-marks and since the entitlement to and use of such trade-marks was already in dispute, an early decision from the Director of Corporations Canada could conflict with the decisions of the other instances, thus causing irreparable harm to Fairmont Hotels.

Fairmont Hotels' request for a stay was denied and they therefore applied to the Federal Court of Canada for judicial review.

The Federal Court Judgement

Justice O'Reilly was seized of the application for judicial review.

In the Court's view, the decision of the Director of Corporations Canada was an interlocutory one; generally, interlocutory rulings are not subject to appeal or review. However, the Court noted that in some cases, there may be special circumstances that would warrant an intervention by the Court.

The special circumstances argued by Fairmont Hotels were namely:

- 1) the Director of Corporations Canada intended to arrive at a decision concerning the corporate name "Fairmont" without taking into account Fairmont Hotels' ownership of the FAIRMONT trade-marks;
- 2) if the Director Corporations Canada did not consider Fairmont Hotels' FAIRMONT trade-marks, then the only evidence before him would be the dates of incorporation of the respective parties, which would favour Fairmont Properties;
- 3) the issue of confusion between the corporate names could not be resolved before the Director of Corporations Canada because the alleged confusion is a result of the use of the word "Fairmont", which from a trade-marks perspective is owned by Fairmont Hotels. The Director Corporations Canada would therefore have no jurisdiction to decide Fairmont Properties' application because the entitlement to the

use of a trade-mark can only be resolved within trade-mark proceedings;

- 4) if Fairmont Properties' application to the Director of Corporations Canada was granted, Fairmont Hotels would have to remove the word "Fairmont" from its corporate name, while otherwise possibly still being entitled to use the word "Fairmont" as a trade-mark.

Justice O'Reilly considered that Fairmont Hotels' arguments were purely speculative. The Court must presume that the Director of Corporations Canada will take into account all of the relevant circumstances including Fairmont Hotels' trade-marks and its exclusive rights to those marks. The Federal Court of Canada cannot assume, as Fairmont Hotels had argued, that the Director of Corporations Canada will not consider the factors it is required by law to consider before deciding. Justice O'Reilly deemed that Fairmont Hotels had failed to demonstrate that there were special circumstances that warranted the Federal Court's intervention. The application for judicial review was therefore dismissed with costs.

Conclusion

In this case, the applicant for judicial review was unable to convince the Federal Court of Canada of the necessity of a review of the interlocutory decision of the Director of Corporations Canada refusing to stay the proceedings. However, the concerns raised by Fairmont Hotels were not completely unfounded, as there still remains a risk that the Director of Corporations Canada may come to a conclusion on the issue of confusion that is different than that of the Federal Court of Canada and/or of the Trade-Marks Oppositions Board. Obviously, Fairmont Hotels' concerns are based on a "worse case" scenario outcome of the proceedings... It will therefore be interesting to see how this fierce battle between a luxury hotel chain and well established time-share operation will ultimately be resolved, as it is unlikely that the *status quo* can be maintained.

