

## CHAPTER 1

# BRANDING AND ITS IMPORTANCE TO CHARITABLE AND NOT-FOR-PROFIT ORGANIZATIONS

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Summary

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Statistics Canada indicates that there are more than 161,000 charitable and not-for-profit organizations currently operating in Canada.<sup>1</sup> This includes hospitals, universities, private schools, food banks, environmental groups, day-care centres, sports clubs, places of worship, social justice groups, groups that raise funds and awareness for various diseases, *etc.* Collectively, the 161,000 charitable and not-for-profit organizations have revenues totaling \$112 billion,<sup>2</sup> \$8 billion of which come from individual donations.<sup>3</sup> These organizations also draw upon two billion volunteer hours and 139 million memberships.<sup>4</sup> Certainly, these numbers are impressive.

Yet, an important issue for all of the 161,000 charitable and not-for-profit organizations to consider is: what makes an organization stand out from all the others? How can an organization ensure that it attracts not only the funding required to finance its operations, but the necessary people to carry out its operations and the constituency that it is intended to serve? How can one ensure that an organization does not lose donors and constituents to fraudulent or opportunistic individuals or organizations?

While there is not a single answer to those questions, one of the most effective means of protecting an organization, and in turn its donors and constituents, is by effectively branding the organization. As such, this chapter provides a brief introduction to the importance of branding for the charitable and not-for-profit organization, as well as the importance in avoiding the organization's trade marks from becoming a wasting asset.

## 1.     WHAT IS BRANDING?

Branding is the marking of wares or services for the purpose of identification.<sup>5</sup> It is an ancient process originating from the Egyptians, who burned marks into the hides of their livestock or made impressions in their pottery in order to identify themselves as the owner of the livestock or pottery. Throughout history, archaeological evidence suggests that marks have been used to identify the makers of everything from bricks, tiles, jars, tools, pottery and water pipes to even loaves of bread! In 1365, the City of London even went so far as to pass an ordinance requiring every smith to

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<sup>1</sup> Michael H. Hall, *et al.*, *Cornerstones of the Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations* (Ottawa: Statistics Canada, 2004) at 7.

<sup>2</sup> *Ibid.* at 10.

<sup>3</sup> *Ibid.* at 9.

<sup>4</sup> *Ibid.*

<sup>5</sup> *Black's Law Dictionary*, 6th ed., *s.v.* "brand".

mark the swords, knives and other weapons they made, “so that every man’s work might be known by his mark”.<sup>6</sup> In modern days, the concept of branding is more complex, as it no longer serves merely to identify the owner of a ware or service, but also to distinguish the wares or services of a business from those of its competitors, which can lead to an increase in market share and can even create equity in the goodwill associated with the brand.

Naturally, this leads one to wonder what can be used to mark one’s wares or services. In other words, what is a brand? A brand is any word, mark, symbol, design, term or a combination of these used for the purpose of identifying some ware or service.<sup>7</sup> In the past, one could put whatever mark one wished on the livestock or pottery as the identifying mark of ownership. Nowadays, one cannot compose his or her own brand as freely. One reason for this is that in present commercial terms, a brand is much more than just a word, mark, a symbol, design, term or combination of these. Another reason stems from the proliferation of brands already on the market and the concerns with regard to the registrability of certain brands as trade marks, which will be addressed later in this book.

## **2. WHY BOTHER BRANDING?**

Most organizations do not operate in an insular world, where there is only one grocer, one baker, one church and one university. Rather, we live in an environment where there is constant competition, even in the charitable and not-for-profit sector. With competition, it is important that the organization brand itself so that the public can easily identify the owner of the brand and distinguish the ware or service from the organization’s competitor. In turn, the organization can increase its market share and create equity.

### **(a) Identify the owner**

The original purpose of branding was to identify the owner. Owners burned marks into the hide of their livestock or made impressions in their pottery so that if an animal strayed or if a piece of pottery was stolen, its lawful owner could be identified easily through the brand.

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<sup>6</sup> Gordon Sustrik & Emery Jamieson, *Trade mark Transactions: Assignments, Licences and Security Interests* (Sponsored by the Patent and Trademark Institute of Canada, 1999) at 4.

<sup>7</sup> *Black’s Law Dictionary*, 6th ed., s.v. “brand”.

**(b) Distinguish the ware or service**

Farmers and craftspeople selling their livestock and pottery realized a second purpose for branding: to distinguish the ware or service of a farmer or craftsman from those of his or her competitors. This also enabled the buyer to predetermine the quality of the ware by identifying the seller through the brand. For example, whether buying a cow directly from Farmer Bob at his farm or indirectly from the county fair, the brand on the cow confirmed that the cow was from Farmer Bob's herd and allowed the buyer to make certain judgments about the quality of the livestock through his or her knowledge of Farmer Bob's farming practices or previous purchases of Farmer Bob's livestock.

The same principle applies today. Branding can protect buyers by identifying a ware or its source, thereby distinguishing the ware from its competition. By relying on the brand, today's buyer of various wares and services can be assured that the ware or service purchased is indeed what it claims to be; for example, an authentic MONOPOLY game as opposed to a cheap rip-off. In the same way, today's buyer ordering an ANGUS BEEF steak is reassured about the quality of the steak by the knowledge that the steak is certified to be ANGUS BEEF steak, and by familiarity with the strict requirements for a steak to receive the ANGUS BEEF certification. As such, branding has evolved from simply protecting the owner to also protecting the buyer.

**(c) Increase market share**

This has led to a third purpose of using branding as a means to increase market share.

First, businesses use branding to market their wares and services to members of the public who have never bought their wares or used their services before. This is difficult to do in today's society, where buyers often no longer have personal knowledge of the wares they are purchasing or personal relationships with the manufacturers of the wares. For example, today's buyer cannot walk down the street to share a coffee with his neighbour Sven while Sven takes a break from building the buyer's new chair in the workshop. However, today's buyer can drive to the IKEA store to buy a chair and know what to expect of the chair's quality, even though he has never bought an IKEA chair before and does not know who designed the chair, who built the parts, who assembled the parts, who packaged the chair or who delivered the chair. Branding tells

the buyer what the ware is, who manufactured it, what the values of the manufacturer are and what to expect of the ware's quality.

Second, businesses use branding to make their wares and services so desirable to the public that the public will not settle for a substitute, even if the substitute is cheaper. Effective branding can imbue a ware with a certain prestige factor related to a perception of the quality of the ware or the type of person who would own a certain ware or brand. For example, Jaguar Cars Limited, the manufacturer of JAGUAR automobiles, markets itself as not only selling a car, but also selling "premium luxury" and "the Jaguar lifestyle". This prestige factor has permitted the company to claim a premium for its cars because people wanting to be associated with a certain lifestyle or with the perceived quality of the car are willing to spend more for the Jaguar brand. As such, branding has evolved from simply identifying the owner to a powerful tool by which businesses can increase the market share of their wares and services.

#### **(d) Create equity**

The fourth purpose of branding is to create equity in the goodwill associated with the brand. In today's society, brands play a vital role in helping a business grow and become profitable. They create goodwill by promoting a positive image of the business, thereby increasing the value of the business. Accordingly, brands can now be recognized as an asset of the business and can also be included in calculating the equity of a business. In fact, a brand may become the most valuable asset of a business or may be even more valuable than all the physical assets of the business. For example, someone looking to purchase the local furniture shop may pay mostly for the physical inventory owned by the business and may not pay much, if anything at all, for the name of the local furniture shop. However, someone looking to purchase the IKEA corporation may pay more for the business than the value of the physical inventory. Why? This is because the value of the IKEA brand drives up the purchase price. As such, branding has evolved from simply identifying the owner to a powerful tool by which a business can increase its equity.

Given the proliferation of competing brands on the market, however, some people argue that brands have outlived their usefulness. A brief search on the Internet reveals an animated discussion about the demise of

branding.<sup>8</sup> Traditional brands, it would seem, have lost their power to attract the public or retain public loyalty as new brands are introduced to the marketplace and the public becomes more savvy and less willing to pay a premium for a ware simply because of the name on the label.

The proliferation of brands in the commercial sphere has levelled the playing field and taken the premium out of a brand. In doing so, it has arguably taken the prestige factor out of brands and returned the focus to the protection of the public by providing clarity and knowledge. For example, NOKIA ranked sixth among the world's most valuable brands in 2002, valued at \$30 billion; however, Nokia's sales fell in 2003 when it failed to produce the clamshell-design cell phones that its competitors were producing, resulting in a \$6 billion decrease in its equity.<sup>9</sup> In a sense then, contrary to the view that the apparent importance of branding underscores its demise, it would seem rather that the apparent demise of branding actually affirms its importance. Rather than being a platform for a certain prestige associated with the use of a particular brand, the brand can once again become a tool to guide the buyer through the bewildering array of choices in the market.

### **3. IMPORTANCE OF BRANDING TO CHARITABLE AND NOT-FOR-PROFIT ORGANIZATIONS**

The role of branding in an increasingly competitive marketplace is fairly obvious. But what does this mean for the non-commercial world of charities and not-for-profit organizations? Does the concept of branding apply to these types of organizations? How can they benefit from branding? Why is it important for a charitable or not-for-profit organization to protect its trade marks?

#### **(a) Identify the charitable or not-for-profit organization**

The importance of branding to a charitable or not-for-profit organization must be looked at from two viewpoints: that of the donor or user, and that of the charitable or not-for-profit organization. With respect to the potential donor or user, the original purpose of branding — to identify the owner — appears at first blush to be inapplicable to charitable and not-for-profit

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<sup>8</sup> Cory Doctorow, "Brands aren't worth as much as we thought" (6 November 2004), online: Boing Boing: A Directory of Wonderful Things <[http://boingboing.net/2004/11/06/brands\\_arent\\_worth\\_a.html](http://boingboing.net/2004/11/06/brands_arent_worth_a.html)>.

<sup>9</sup> *Ibid.*

organizations, since they are not established to sell products or provide services on a for-profit basis. In the commercial world, the buyer who purchases a ware or service receives a concrete object or a benefit in one form or another from the transaction, whether or not the ware or service has a brand. A brand simply helps to identify some desirable characteristic of the ware or service, such as quality, style, or prestige. Charitable or not-for-profit organizations, on the other hand, do not usually offer a tangible benefit to the donor or user. Rather, they offer the donor an intangible benefit of a sense of well-being: the knowledge that the donor has done something good by contributing to a person or to society (in the case of a charity) or using a service or purchasing an item on a non-for-profit basis (in the case of a not-for-profit organization).

By way of examples involving charities, consider the parishioner who regularly donates offerings to his or her church; the trucker who gives a donation to a medical research organization to pursue research into cures for breast cancer; or the philanthropist who gives to the town's operatic association. The parishioner receives the return of knowing that the church will be able to continue providing the opportunity for people to worship in accordance with that church's creed, but the donor himself or herself may never set foot in the church or may only attend the celebration of certain rites. The trucker who donates to breast cancer research may be a man whose wife or mother has suffered from breast cancer, but he could equally have no connection with the disease and therefore receives no direct or indirect benefit from his donation other than the knowledge that he has contributed to a worthy cause. The philanthropist may dislike opera but feel that the arts in general need support in order to provide future generations with the opportunity to benefit from them.

These examples illustrate that most people will assist others in need or donate to civic causes as long as doing so gives them a sense of satisfaction from having done something worthwhile. However, potential donors often do not have direct contact with people in need or cannot, by themselves, make any appreciable impact on the need. Most donors do not have the ability to assess needs or determine the impact of their gift. Absent these abilities, many will not give, as they cannot ascertain that their donation has actually accomplished something worthwhile.

In this respect, charitable and not-for-profit organizations can be said to function as financial intermediaries of sorts. They are in the business of matching donors and users with needs, thus providing a necessary service. They are connected. They make it their business to be aware of society's needs and to seek out the most efficient ways of meeting those needs. Because it is their business, they are also in a position to do

an appropriate follow-up in order to measure the effectiveness of the aid. Thus, when a donor gives to a trusted charitable or not-for-profit organization that has a significant track record, she can be reasonably confident that she is, in fact, getting the service which she is purchasing — her donation will go to help the needy in the way the donor intends. This point has been demonstrated consistently in the surveys by the global public relations firm Edelman International, which shows that the not-for-profit organization GREENPEACE has bigger and better brand recognition in Europe than such for-profit organizations like MCDONALD'S.<sup>10</sup> Effectively developing the brand for such organizations like Greenpeace has meant developing the “trust factor”, which is seen as a key factor to soliciting donations. As one expert academic on marketing and brands has stated: “Giving to Unicef means you trust your money will be spent helping people thousands of miles away who need it”.<sup>11</sup>

In the same way, branding can be essential for clients and users to identify which charitable or not-for-profit organization to turn to for assistance. Without an identifiable brand, there may be confusion as to what services the organization can provide. Such a problem was one of the reasons behind the recent name change for PLANNED PARENTHOOD CANADA to the CANADIAN FEDERATION FOR SEXUAL HEALTH.<sup>12</sup> The advocacy group services about 310,000 clients a year, but focus-group research revealed that the organization's branding led to a lot of misinformation among younger members of the public who were unaware of the organization's historic achievements in the area of birth control in the 1960s. As the executive director explained: “A lot of young people thought they would only turn to us if they were ready to start having children. They didn't see that we had a much broader focus and broader range of services”.<sup>13</sup>

However, there remains dissension in the ranks, with three Ontario affiliates breaking with the national parent group over the decision to change the name. As one affiliate explained, the group rejected the new name because it was too broad, which would lead to a shift in the advocacy group's original principles. Although the group conceded that

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<sup>10</sup> Diane Francis “In marketing, choice raises consumption” *National Post* (29 October 2005) FP2.

<sup>11</sup> *Ibid.*

<sup>12</sup> Jered Stuffco “This name change is one mother of a battle” *The Globe and Mail* (27 October 2005) A3.

<sup>13</sup> *Ibid.*

the Planned Parenthood brand tended to have a certain stigma in some communities, their preference would be to work to shift the public's conceptions.

**(b) Distinguish the charitable or not-for-profit organization**

The second purpose of branding — to distinguish the wares or services of a charitable or not-for-profit organization from those of its competitors — has recently become more of a necessity. Although charities do not generally set out to compete against one another (since they are non-profit and share the common goal of attempting to better society), instances of predatory practices have come to light in recent years that show the vulnerability of charitable and not-for-profit organizations when the goodwill of an organization is intentionally misappropriated by another organization. For example, in November 2002, an organization calling itself the CANADIAN ASSOCIATION OF THE BLIND had its charitable registration revoked after it was reported to have collected donations in the amount of \$1.5 million over a period of three years, yet only \$10,912, or less than one cent on the dollar, made its way to the association's purported charitable purposes, while the remainder was directed to certain fundraising companies.<sup>14</sup> The CANADIAN NATIONAL INSTITUTE FOR THE BLIND, the long-standing, highly respected charity that assists the visually impaired, complained that the similarity between the two organizations' names worked in the Canadian Association of the Blind's favour and accused the organization of trading on the Canadian National Institute for the Blind's reputation.

Abuses, like the case discussed above, have inspired scepticism in the public. As such, donors are more demanding and less easily satisfied that their donation has achieved the purpose for which it was given, sometimes resulting in a less-than-charitable attitude toward giving. As a result, the pursuit of donor funds by charities has become increasingly competitive. While the aforementioned example was a registered charity status case and not directly a trade mark case, it highlights the importance of organizations maintaining vigilance over their names and marks, and the potential pitfalls of not paying the necessary attention to this area. Under these

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<sup>14</sup> K. Donovan "Bad boys of charity are wasting your money" *The Toronto Star* (13 November 2002) A1; K. Donovan "Charity ends fight to retain its status" *The Toronto Star* (12 December 2002) A3; and Canada Customs and Revenue Agency, News Release 2002-12-21, "CCRA revokes registered-charity status of Canadian Association of the Blind" (21 December 2002).

circumstances, how can a charitable or not-for-profit organization get its message across to potential donors and distinguish itself from the pack? How can a charitable or not-for-profit organization ensure that its reputation does not get tainted, and ultimately its donor base shrunken, by association with unscrupulous operators taking advantage of the privileges granted to charities or even by association with an innocent but simply inept charitable or not-for-profit organization?

The charitable and not-for-profit sector functions very differently from the commercial and for-profit sector. It includes a diverse array of interests from religious organizations (*e.g.*, churches), to cultural organizations (*e.g.*, operatic associations), as well as community organizations, ranging from abuse associations, service clubs, sport clubs and social clubs (*e.g.*, golf clubs). Nevertheless, the one unifying factor is that the charitable and not-for-profit sector cannot function without the financial participation of its members and donors. In a world of competition for limited funds, diminishing loyalties, and sometimes questionable ethics by the few involved in predatory fundraising, branding can be a critical tool to help charitable and not-for-profit organizations pursue their purposes. It can assist a charitable or not-for-profit organization in distinguishing its wares and services from those of others in the sector. Studies have shown that in emerging markets, the public is more interested in the brand name, as it is perceived to be subjected to higher standards than those of less famous brands. As one academic, John Quelch, notes: “When there is more choice, consumers need a trustworthy handrail [a brand name] to guide them through the complexity”.<sup>15</sup> Branding can also protect the organization and donors from unscrupulous impostors and, by doing so, ensure that donors can trust that their donations are achieving the purposes for which they are intended.

### **(c) Increase market share**

The third purpose of branding — to increase market share — is also applicable in the non-commercial world of charitable and not-for-profit organizations. This applies in relation to the wares and, more importantly, services offered by these organizations, not only from the perspective of the recipients and users but also from that of the donors. Homeless people seek out SALVATION ARMY shelters in the winter because they know they will receive a warm bed to sleep in, offered with a caring attitude. On

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<sup>15</sup> Diane Francis “In marketing, choice raises consumption” *National Post* (29 October 2005) FP2.

the other hand, donors give to the Salvation Army because they recognize the work that the Salvation Army has done and continues to do in the community. They see volunteers dressed in the trade mark uniforms granting assistance to the needy, whether it is in the community or on promotional pieces on television, and they recognize the uniform when they see volunteers soliciting donations on the street. The uniform provides a channel for the donor's knowledge of the purposes to which the requested donation will be put. In this regard, branding is important in the context of both present and future fundraising: as a focal point for donations from regular supporters of a charity and estate gifts, enhancing the present reputation of a charity with current supporters, building potential for the charity to expand its charitable activities, and developing future sponsorship arrangements.

In addition, branding can increase market share by strengthening the common identity of multiple divisions or chapters of the same charitable or not-for-profit organization, both internally and externally (*i.e.*, in the public eye). For example, a donor from Ottawa visiting a mall in Vancouver during the pre-Christmas rush recognizes the same Salvation Army uniform that she sees at the foodbank down the street from her office in Ottawa. As she drops a donation in the plastic globe, she has the assurance that it will be used by the Vancouver Salvation Army for similar charitable needs as those pursued by the Ottawa Salvation Army and it will presumably be protected by the same measures of accountability. This is because the organization's branding tells the donor what the need is, who the organization is, what its values are, and what to expect of the organization's use of donations.

#### **(d) Create equity**

The fourth purpose of branding — to create equity in the goodwill associated with the brand — has also proved beneficial to charitable and not-for-profit organizations. In addition to securing the organization's reputation and donor base, branding has incidental value with regard to its activities, including related businesses, publicity, and specific fundraising events. Specifically, branding creates both present and future marketing value in relation to the sale of related items associated with the services of a charitable or not-for-profit organization, such as books, tapes, videos, and promotional materials, as well as in relation to facilitating access to the charitable or not-for-profit organization on the Internet or other forms of electronic communication. For example, the HEART AND STROKE FOUNDATION OF CANADA has been particularly successful in

employing its brand to promote cookbooks and related services, making *The Lighthearted Cookbook* a bestseller.

Furthermore, branding can create equity by licensing the charitable or not-for-profit organization's trade mark to an associated organization located either in Canada or abroad, or to third parties for commercial or quasi-commercial purposes. In this respect, many businesses are prepared to pay a licensing fee for the right to be associated as an official sponsor of an event held in the name of a charitable or not-for-profit organization. Examples of branding creating equity are:

- Canadian Imperial Bank of Commerce ("CIBC") sponsoring CANADIAN BREAST CANCER FOUNDATION ("CBCF") in its "Run for the Cure" campaign. The annual one-day event is now in its 14th year, involving 40 communities across Canada, 170,000 runners, and raising approximately \$21 million. CIBC works with the Canadian Breast Cancer Foundation to support the CBCF CIBC Run for the Cure by employee fundraising and corporate contributions for marketing, public relations, promotional materials and banking services;
- Enbridge sponsoring THE UNITED WAY in its "CN Tower Stair Climb" campaign. In 2004, over 10,500 people participated in the event, helping to raise \$1.125 million for the United Way; and
- UL Canada Limited, the owner of BECEL margarine, sponsoring the HEART AND STROKE FOUNDATION OF CANADA in its "Ride for Heart" campaign. More than \$1.9 million was raised in 2005 in an event that took place in Toronto, Calgary and Edmonton.

Licensing the charitable or not-for-profit organization's logo for use in the fundraising sale of commercial items is another way to take advantage of the equity in a trade mark through licensing. Examples of using a charitable or not-for-profit organization's brand to promote the manufacture and sale of commercial wares are:

- Danier Leather or Eddie Bauer emblazoning the WORLD WILDLIFE FUND's panda logo on its backpacks and day-timers;
- McDonald's featuring the INTERNATIONAL OLYMPIC COMMITTEE's Olympic logo on its cups and packaging;
- Hallmark supporting NATIONAL BREAST CANCER AWARENESS MONTH by manufacturing and selling wares in its breast cancer awareness gift collection; and

- ESSO promising to donate one cent for every litre of gas purchased on September 10, 2005 to THE UNITED WAY

An effective branding program for a charitable or not-for-profit organization requires a careful trade mark selection process and a deliberate and calculated program of trade mark management and promotion. Just like in the commercial world, trade marks form the basis of an effective branding and marketing strategy, providing a focal point for all the information that a charitable or not-for-profit organization wishes to communicate to the public about its work.

#### 4. BRANDING, MARKETING AND TRADE MARKS

Branding is an essential and interrelated element of marketing in today's commercial society. Whereas branding is the process of creating a ware identity that permits effective marketing, effective marketing is an essential part of a successful branding initiative. The key element of successful branding and marketing, however, is the judicious use of trade marks. Without the right trade mark to serve as the foundation for a strong brand, effective marketing cannot take place. The Canadian Intellectual Property Office sums it up as "your identity in the marketplace":

Success in the business world depends largely on the message you convey and the image you project. This was the case 50 years ago and is even more true [*sic*] in the competitive global marketplace of today. You may have an excellent ware or service to offer, but if people can't pick you out easily in the crowd, you'll probably be overlooked in favour of a firm with a stronger presence.

It's no coincidence that certain brand names that dominated the North American market in the 1920s still are leaders today. The public gravitates towards familiar names and symbols that have become associated with quality and reliability. That's why companies spend millions of dollars nurturing their corporate images. They may research, design, market and protect a name, logo or package design as much as the physical product itself.<sup>16</sup>

Trade marks are everywhere in our market-based society. LEVI'S, COCA-COLA, NIKE and SONY are all trade marks which have developed into household names through vastly successful branding and marketing campaigns. In and of themselves, however, these concepts have no inherent meaning or connection with the ware or company they embody. If you never drank a can of Coke or saw one of the various ads showing someone

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<sup>16</sup> "A Guide to Trade marks: Introduction" (14 June 2004), online: Canadian Intellectual Property Office <[http://strategis.gc.ca/sc\\_mrksv/cipo/tm/tm\\_gd\\_intro-e.html#section01](http://strategis.gc.ca/sc_mrksv/cipo/tm/tm_gd_intro-e.html#section01)>.

quenching their thirst with the drink, the terms COCA-COLA or COKE would mean nothing to you. The fact that these terms can be classified under the legal category of “trade mark” adds nothing further to an understanding of the connection between the trade mark and the ware; it simply indicates that a person or company wishes to protect the use of the term or logo. The legal status of a trade mark only tells the public a company wishes its business or a particular ware to be identified by the trade marked name, but it does not tell the public anything more about the business or ware.

Branding and marketing, however, fill this gap by explaining the business and ware to the public. Nevertheless, a trade mark is a critical part of the branding and marketing process. By limiting the use of a mark (a term, logo or other distinctive design), a trade mark enables the owner of the trade mark to determine the content or meaning of the mark. A well-chosen and properly used mark becomes a focal point for the owner’s communication with the outside world. Through effective marketing, the owner can create an association between the trade mark and the ware or producer:

Trade marks help consumers to select goods. By identifying the source of the goods, they convey valuable information to consumers at low costs. Easily identified trade marks reduce the costs consumers incur in searching for what they desire, and the lower the costs of search the more competitive the market. A trade mark also may induce the supplier of goods to make higher quality products and to adhere to a consistent level of quality. The trade mark is a valuable asset, part of the “goodwill” of a business. If the seller provides an inconsistent level of quality, or reduces quality below what consumers expect from earlier experience, that reduces the value of the trade mark. The value of a trade mark is in a sense a “hostage” of consumers; if the seller disappoints the consumers, they respond by devaluing the trade mark.<sup>17</sup>

In addition, the trade mark itself and how it is promoted can create certain associations with the mark. The NIKE logo, for example, a “swoosh” which looks like a stylized checkmark, symbolizing Nike, the Greek winged goddess of victory, immediately conjures up thoughts of something positive, forward-looking, active and triumphant. Effective marketing capitalizes on these connotations by connecting the attributes to the ware — high-powered sports equipment — reflecting, if not creating, a subculture in the process. Another example is CHIVAS REGAL, with its associations of sophistication and maturity. One well-known printed advertisement for this product did not even have the product name or logo accompany the product, only the cheeky line: “If

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<sup>17</sup> *Scandia Down Corp. v. Euroquilt, Inc.*, 227 U.S.P.Q. 138 at 142 (C.A. 7 1985).

you don't recognize it, you're probably not ready for it".<sup>18</sup> This process of branding has become an enormous industry and a virtual necessity in today's highly competitive marketplace:

Brand management is much more "scientific" than it once was. In some respects, the evolution of marketing is best expressed in the concept of "brand equity," coined in the mid-1980s. Impressed by the values assigned to trade marks in a series of high-profile corporate mergers, CEOs began to view brand names not merely as tactical programs to be delegated to an advertising manager, but as strategic assets to be built, protected and leveraged. Companies building brands and attempting empirically to measure their brand value are now challenged by the realization that brands encompass not only consumer awareness, but also perceived quality, customer loyalty and a rich set of associations. Furthermore, companies increasingly understand that trade marks can be the legal representative and source of protection for this complex constellation of associations and perceptions evolving over time.<sup>19</sup>

As the cases of Nike and Chivas Regal illustrate, in a successful branding campaign the trade mark will come to embody the owner's business, ethos and wares, collectively in one focal point. The trade mark is, in a sense, a gateway through which the trade mark owner and the public can communicate. However, it is only as useful as the owner's ability to control its use, a fact recognized by the courts:

The protection of trade marks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same — to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.<sup>20</sup>

A recent article from the United States sets out the different benefits of trade marks from the perspectives of the public and the trade mark owners:

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<sup>18</sup> Keith McArthur "Top Ad Guru Quits in Sexist Huff" *The Globe and Mail* (21 October 2005) A1.

<sup>19</sup> Jerre B. Swann, David A. Aaker & Matt Reback, "Trademarks and Marketing" (2002) 91 T.M.R. 787.

<sup>20</sup> *Mishawaka Rubber & Woolen Manufacturing Co. v. S.S. Kresge Co.*, 316 U.S. 203 (1942) at 205.

The public's perspective:<sup>21</sup>

- Comprehend a product's otherwise unobservable characteristics;
- Avoid risks;
- Create an easy way to fulfil emotional and self-expressive needs (e.g., to advertise themselves subtly or otherwise generate "favourable" impressions);
- Satisfy social needs (e.g., to participate in a larger (or smaller) "sisterhood" or to reflect a "lifestyle"); and
- Create a greater variety of products and price points, due to increased competition in the marketplace.

Trade mark owners' perspective:<sup>22</sup>

- Allow access to the public's mind;
- Make advertising less expensive or more impactful (or both);
- Enable a manufacturer to communicate more directly with the public, cushioning any vagaries of distribution;
- Assist in attaining channel power;
- Provide a more efficient and credible means of extending into related goods, and give rise to licensing opportunities;
- Serve as certificates of "authenticity";
- Afford resilience; and
- Constitute an asset-brand equity, which is frequently a company's most valuable single property.

In addition, there are further benefits for the organization that recognizes and treats trade marks as business assets in that the organization can choose to do the following:<sup>23</sup>

- **Use** — a trade mark's value depends largely on its usefulness or effectiveness in selling the wares or services associated with it.
- **Sell** — a trade mark also has resell value, either alone or with the goodwill of the business associated with it.

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<sup>21</sup> Jerre B. Swann, David A. Aaker & Matt Reback, "Trademarks and Marketing" (2002) 91 T.M.R. 787 at 798.

<sup>22</sup> *Ibid.* at 807.

<sup>23</sup> Gordon Sustrik & Emery Jamieson, *Trade mark Transactions: Assignments, Licences and Security Interests* (Sponsored by the Patent and Trademark Institute of Canada, 1999) at 7.

- **License** — a trade mark also has licensing value, as many organizations may prefer to pay to license a well-known trade mark instead of paying to create a brand new trade mark.
- **Finance** — a trade mark also has financing value, as it can serve as a security interest as collateral for debt financing.

For all of these reasons, a trade mark will normally be one of the most valuable assets of a charitable or not-for-profit organization. Trade marks, though, are fragile assets, the value of which can be lost or seriously eroded through error of commission and/or omission. Failure to properly identify and preserve trade mark rights could lead to the organization's eventual loss of the right to preclude others from using its trade marks. In this regard, it is essential that trade marks be used properly in order to enhance and protect their value instead of unintentionally diminishing their value.

## 5. HOW TRADE MARKS BECOME WASTING ASSETS FOR CHARITABLE OR NOT-FOR-PROFIT ORGANIZATIONS

A “wasting asset” is an asset that has lost some of its value or has become a liability for its owner. Some assets, particularly tangible assets, such as real estate, hold their value well and do not easily become wasting assets. Intangible assets, such as trade marks, however, can become wasting assets quickly if their use is not appropriately managed.

Effective branding requires an active and deliberate agenda of marketing, ware development, and customer relations built around a program of trade mark management. A trade mark is relatively easy to obtain, but at the same time is also very easy to lose, taking with it the brand and all the careful work that has gone into developing the brand and the associated goodwill. This value can be lost as easily through inaction as through inept action.

From the beginning, a trade mark can be a wasting asset if the charitable or not-for-profit organization adopts a trade mark that is a liability. Once a trade mark is properly identified as a potential asset for the organization, the directors, along with the executive staff, must properly manage that asset in order to develop the value of the trade mark. This includes using the trade mark consistently and protecting the trade mark against unauthorized use.

There are a number of ways in which a charitable or not-for-profit organization's trade marks can become a wasting asset, including the following key points.

**(a) Failing to conduct searches**

Through a failure to conduct appropriate searches to disclose existing registered or unregistered trade marks of a similar or conflicting nature, the charitable or not-for-profit organization may unwittingly adopt a trade mark that may not have been an asset in the first place. As a result of failing to conduct the necessary searches, the charitable or not-for-profit organization may find its right to use the name it has chosen challenged by the owner of the pre-existing registered or unregistered trade mark. As such, the trade mark could actually be a liability from the outset, as the charitable or not-for-profit organization is, probably unwittingly, infringing a pre-existing trade mark. This result could be very expensive for the organization, which may have spent significant amounts of resources in developing brand identity around the trade mark, or worse yet, may have to pay damages or a settlement to the original owner along with legal fees to fight the challenge.

Another consideration is that the original owner of the trade mark may have used the trade mark in a way that is not compatible with the values of the charitable or not-for-profit organization. In this case, the organization could find it very difficult to build a brand identity around the pre-existing trade mark, since certain members of the public may still associate the trade mark with its prior use. Moreover, if the values of the charitable or not-for-profit organization clash with the values identified with the pre-existing brand, the publicity arising from a trade mark challenge could do irreparable harm to the charitable or not-for-profit organization's public image.

In order to protect the value of a trade mark as an asset for a charitable or not-for-profit organization, it is critically important for the organization to do its research and conduct the proper searches to ensure that the proposed trade mark will actually provide the organization with an asset and not a liability.

**(b) Failing to stop unauthorized uses**

In the event that a charitable or not-for-profit organization adopts a trade mark that is not previously owned by someone else, the trade mark will generally have value and therefore be an asset rather than a liability to the organization. However, if the charitable or not-for-profit organization fails to stop unauthorized uses of its trade mark, this asset can become a wasting asset, its value could decrease, its reputation could become sullied, or it could lose distinctiveness because it is used by multiple users and is no

longer capable of distinguishing the original owner from other users in the marketplace.

A charitable or not-for-profit organization could find itself in the position of the original owner of the trade mark, as in the example above, faced with the sudden use of its pre-existing trade mark by an infringer, the potential consequences of which can be devastating. If the infringer is using the trade mark in a manner that is incompatible with the values or purposes of the charitable or not-for-profit organization, the damage done to the organization's reputation could be such that no amount of financial reparations could compensate for the harm.

For example, the U.S. organization, MAKE-A-WISH FOUNDATION,<sup>24</sup> faced the potential loss of goodwill due to the fraudulent acts of an Ohio car salesman who solicited funds on behalf of the organization without permission. The man claimed in advertisements, which used the charity's logo, that proceeds from donated vehicles would go to the Make-A-Wish Foundation, but he retained all of the proceeds. In a commercial context, a U.S. court found that a parody of Coca-Cola's trade mark ENJOY COCA-COLA violated Coca-Cola's trade mark rights.<sup>25</sup> The court recognized that the parody was an injury to its reputation and goodwill.

One of the more infamous examples is the dispute between the charity WORLD WILDLIFE FUND (World Wide Fund for Nature) and WORLD WRESTLING FEDERATION ENTERTAINMENT over the use of the initials "WWF". The World Wildlife Fund, established in 1961, is recognized as the largest private international nature organization, with a worldwide presence through its affiliated national organizations. It is easily identified by its panda logo and the initials WWF. The wrestling federation took on the name and initials in 1979. Although the two bodies do not appear to have a shared business (and most people are unlikely to confuse a wrestler with a panda bear), with globalization and market convergence, the two brands began to clash with increasing frequency. The wrestling federation's image was seen to be antithetical to that of the wildlife fund, and there were increasing concerns over any negative effects a series of legal troubles for the wrestling federation would have on the wildlife fund's 4.5 million individual contributors. Confusion of the two brands was not of significant concern; rather, the wildlife fund wanted to avoid any "insalubrious connotation when the initials WWF are used".<sup>26</sup>

<sup>24</sup> Arthur Drache, "Did You Ever Wonder?" (2005) 13 Canadian Not-For-Profit News 5.

<sup>25</sup> *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972).

<sup>26</sup> *World Wide Fund for Nature v. World Wrestling Federation Entertainment Inc.*, [2002] E.W.J. No. 4293 at para. 38, aff'd [2002] E.W.J. No. 830, [2002] EWCA Civ. 196.

In what has been described as “an inevitable result of sensible trade mark management”,<sup>27</sup> the two bodies entered into an agreement in 1994 that restricted the wrestling federation’s ability to use the WWF initials in its business activities. After adhering to the agreement for several years, the wrestling federation started ignoring its contractual obligations, culminating in the registration of the domain name “www.wwf.com” to promote its business. The wildlife fund sued for breach of contract, claiming damages and seeking an injunction to force the wrestling federation to abide by the terms of the 1994 agreement. In rejecting the wrestling federation’s defence that the agreement was a restraint of trade, the court concluded that where parties have freely entered into a settlement of a dispute, they must abide by the bargain they made.<sup>28</sup> There will be a presumption that the agreed-upon restraints represent a reasonable division of their interests.<sup>29</sup> Reports at the time indicated the estimated costs associated with the wrestling federation’s rebranding would be \$50 million.<sup>30</sup> As one commentator put it, “courts have little sympathy with an organisation that realises, too late, that it has struck a bad bargain.”<sup>31</sup>

Though not directly on point, the damage to the reputation of the CANADIAN RED CROSS in the mid- to late-1990s from the tainted blood scandal is also illustrative. The scandal caused a momentous loss of confidence in the Canadian blood supply and, by association, the Red Cross, such that after 50 years of handling the Canadian blood supply, the Red Cross was forced to relinquish this substantial part of its operations to the newly established CANADIAN BLOOD SERVICES AND HÉMA QUÉBEC. What was once an asset became a liability, and a new “brand” actually had to be created in order to provide the conditions that would restore Canadians’ faith in the country’s blood supply.

While the failure of a charitable or not-for-profit organization to stop the unauthorized use of its trade marks may not have as dramatic an impact as the tainted blood scandal did on the Red Cross, the possible damage should not be underestimated. One of the essential elements of a trade mark is distinctiveness, which can quickly be lost if the charitable

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<sup>27</sup> Graeme Fearon, “Panda power KOs wrestlers over TM” *Brand Strategy* (5 October 2001) 6.

<sup>28</sup> *World Wide Fund for Nature v. World Wrestling Federation Entertainment Inc.*, [2001] E.W.J. No. 4293 at para. 45.

<sup>29</sup> S.J. Berwin & Edwin Coe, “Intellectual property settlements are made to be observed” *The Times (London)* (14 March 2002).

<sup>30</sup> *World Wide Fund for Nature v. World Wrestling Federation Entertainment Inc.*, [2002] E.W.J. No. 4293 at para. 38, aff’d [2002] E.W.J. No. 830, [2002] EWCA Civ. 196.

<sup>31</sup> *Ibid.*

or not-for-profit organization's trade mark or a confusingly similar mark is permitted to be used unchecked. Examples of such failure to stop unauthorized uses are:

- Not objecting to another organization using a similar corporate name;
- Not objecting to another organization adopting a similar charitable operating name;
- Not objecting to another organization developing a similar logo; or
- Not objecting to another organization adopting a domain name on the Internet that is the same as the trade mark of a charitable or not-for-profit organization.

Failure to restrain the unauthorized use of a trade mark at an early stage may result in a charitable or not-for-profit organization having its registered trade mark expunged from the trade mark register, or losing the right to assert control over the trade mark at common law. Where unauthorized use of a trade mark has occurred, it is essential that the charitable or not-for-profit organization take immediate steps to stop such unauthorized use, otherwise it may well lose the legal right to do so at a later time. The appropriate steps in this regard are discussed in more detail later in this book.

However, even if the charitable or not-for-profit organization does not lose its trade mark, the misuse of an organization's trade mark can have a significant impact on its image and reputation. A more immediate concern may be the loss of donations in favour of another organization as a result of the loss of distinctiveness. This could result in either the honest mistake of a donor or an opportunistic legal challenge to a bequest made in favour of the charitable or not-for-profit organization by another organization with the same or confusingly similar name. In either case, the court may grant a *cy-pres* order resulting in the charitable or not-for-profit organization receiving little, if any, of the gift the testator intended for the organization. The legal costs associated with fighting the challenge can be significant and divert precious resources from the charity's pursuit of its charitable objects, not to mention the possibility that the infringer might actually succeed in its challenge.

In order to protect the value of a trade mark as an asset, charitable or not-for-profit organizations should register for "watching services", which monitor for and alert them to similar and confusing trade marks. This would assist in stopping unauthorized uses of its trade mark so that

the trade mark does not become a liability or become lost to another organization.

**(c) Failing to regulate authorized uses**

In addition to restraining the unauthorized use of a trade mark, a charitable or not-for-profit organization must also be very careful to regulate the authorized use of its trade marks. When a charitable or not-for-profit organization permits other parties (including its affiliates or associated charitable or not-for-profit organizations) to use its trade mark, it is essential to do so in accordance with a written license agreement. The organization's failure to protect its trade marks through proper licensing agreements and identification of the organization as the licensor may result in the loss of entitlement to the trade mark as a result of multiple use. A proper licensing agreement will also set out the standards that must be maintained in order for the licensee to retain its right to continued use of the mark. This will enable the charitable or not-for-profit organization to maintain control of how the authorized licensee projects the organization's image and reputation so that the licensee does not unintentionally harm the organization's image.

**(d) Failing to use**

A trade mark can be lost or considered abandoned through lack of use. This stems from the principle that the value of a trade mark resides in its ability to distinguish one's wares or services from those of a competitor. This purpose can only be accomplished if the trade mark is used, thereby creating a strong association between the trade mark and its owner or the owner's wares and services. On this same principle, a trade mark can be diluted and possibly lost altogether if the trade mark is used inconsistently by the trade mark owner or by unauthorized users.

Even if a charitable or not-for-profit organization has a registered trade mark, the failure to use the trade mark in association with the wares and services referred to in the trade mark registration could result in the charitable or not-for-profit organization being found to have abandoned its trade mark entitlement. In furtherance of this, the *Trade-marks Act* states that after the trade mark registration has been in existence for at least three years, a person may request at any time that the registered owner provide evidence of its use of the trade mark with respect to the wares and/or

services for which the trade mark is registered during the preceding three-year period.<sup>32</sup>

Furthermore, the use of trade marks in association with specific wares and services that are not listed in the registration will not protect the trade mark registration against abandonment for lack of use. The *Trade-marks Act* only provides protection for trade marks in relation to the wares and services listed in the registration. Consequently, should a charitable or not-for-profit organization desire to use the trade mark in relation to a different set of wares or services, the registration would have to be amended in order to extend protection to the other wares or services.

#### **(e) Failing to register**

Registration of a trade mark is not necessary to provide rights to the trade mark. At common law, the first person to use a trade mark is deemed the owner of the trade mark, not the first person to register it. In this regard, the common law provides protection to the unregistered trade mark owner by enabling the owner to restrain other parties from passing off their wares and services under its trade mark.

However, a charitable or not-for-profit organization's common law trade mark rights may be prejudiced if the organization fails to register the trade mark. The *Trade-marks Act* provides that, after a period of five years from the date of registration, a registered trade mark cannot be contested on the basis of a claim of prior use, unless the owner of the registered trade mark was aware at the time of registration of the pre-existing unregistered trade mark.<sup>33</sup> As a result, if a charitable or not-for-profit organization owns a trade mark but another party subsequently registers the same trade mark, five years after the date of registration the organization can no longer challenge the registered trade mark on the basis of the organization's prior use of a similar mark unless it can show that the registered trade mark owner knew of the prior use at the time it obtained the registration. This could be very difficult to prove. Furthermore, the rights may be territorially restricted to only that area where use can be proven. Although a comprehensive trade mark search normally includes common law sources, such as magazines, trade directories and domain name registries, it may not find every unregistered trade mark, and it is conceivable that the owner of the registered trade mark may have never had notice of the

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<sup>32</sup> *Trade-marks Act*, R.S.C. 1985, c. T-13, s. 45(1).

<sup>33</sup> *Trade-marks Act*, R.S.C. 1985, c. T-13, s. 17(2).

unregistered trade mark that had first been used by the charitable or not-for-profit organization.

The charitable or not-for-profit organization may also face a legal challenge from the owner of the registered trade mark to an expansion in use of its unregistered trade mark, even though the organization was the first to use the trade mark. As a result, failure by a charitable or not-for-profit organization to register a trade mark not only precludes the organization from the statutory protections provided by the *Trade-marks Act* for a registered trade mark, but it could also result in a restriction of the charitable or not-for-profit organization's common law rights it acquired over the years in the unregistered trade mark.

The remainder of the book will discuss what steps charitable and not-for-profit organizations should take to identify, protect, enforce and manage their trade marks so that the trade marks do not become wasting assets.

## SUMMARY

Effective branding enables the public to immediately identify a charitable or not-for-profit organization, thereby protecting the organization, donors and users by distinguishing the organization from its competitors, and leading to an increased market share. An effectively controlled brand can create value for charitable and not-for-profit organizations by attracting corporate sponsors who want to be associated with the positive values the charitable or not-for-profit organization portrays.

Whereas branding is the process of creating a ware identity that permits effective marketing to take place, effective marketing is an essential part of a successful branding initiative. A well-chosen and properly used mark can become the focal point for the owner's communication with the outside world as part of marketing the brand. In a successful branding campaign, the trade mark will come to embody the owner's business, ethos, wares and services, collectively in one focal point.

Accordingly, an effective trade mark can become the charitable or not-for-profit organization's most valuable asset. Yet, without proper management of the trade mark, the trade mark may become a wasting asset for the organization. Proper management of a trade mark includes ensuring use and registration, and regulating its use by outside parties.