

CHARITIES LOSE INHERENT RIGHT TO OFFICIAL MARK REGISTRATIONS

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A. INTRODUCTION

Until recently, charities had been able to obtain “Official Mark” registrations for their trade-marks under Section 9 of the *Trade-marks Act* in addition to regular trade-mark registrations. However, as a result of two recent decisions from the Federal Court of Canada, the ability of charities to obtain Official Mark status has been jeopardized, which will make it difficult for charities in the future to fully protect their intellectual property as they have been able to in the past.

B. EXPLANATION OF SECTION 9

Section 9 Official Marks are provided for under section 9(1)(n)(iii) of the *Trade-marks Act* (the “Act”). The registered owner of an Official Mark is given extraordinary protection and can prohibit any person from adopting a trade-mark that is likely to be mistaken for any mark that is adopted and used by any “public authority” in Canada as an Official Mark for wares and services in respect of which the Registrar has, at the request of the public authority, given public notice of its adoption and use.

Upon the Registrar satisfying itself that the applicant is a “public authority” and that the applicant has adopted the mark for wares and services, the Registrar will then proceed to provide public notice of the mark in the

Trade-marks Journal. After public notice of the mark has been given, no one else is allowed to adopt the mark in relation to any wares or services without first obtaining consent from the registered owner.

In comparison to a regular trade-mark, it is much easier to obtain a Section 9 Official Mark provided that the applicant qualifies as a “public authority”. In an application for a regular trade-mark, the applicant must have an official search and an official examination performed by the Canadian Intellectual Property Office (“CIPO”). However, a Section 9 Official Mark only requires the Registrar to be satisfied that the applicant is a “public authority,” and that the applicant has adopted the mark for wares and services.

Notwithstanding the simplified examination process in order to secure Section 9 Official Marks, there are significant benefits available to Section 9 Official Marks that are not available to regular trade-marks. Specifically, an Official Mark can be descriptive as well as confusing with another mark. For example, a public authority could secure an Official Mark that is descriptive of the products and services that it provides, such as “The Camera Store.” This Mark would not be available to a regular trade-mark applicant, as the Mark would be primarily descriptive of the applicant’s wares and services.

In addition, as the law stands today, it is difficult for a Section 9 Official Mark to be revoked by an action through the courts, since there does not appear to be anything in the Act providing for revocation of an Section 9 Official Mark once public notice of the mark has been given. There is also nothing in the Act that outlines a procedure for an interested third party to challenge the public notice of a Section 9 Official Mark. The only recourse that a third party has is to challenge the decision of the Registrar by way of judicial review pursuant to section 18.1(1) of the *Federal Court Act* quashing the decision of the Registrar to give public notice. Furthermore, the protection granted to Official Marks is broader than the protection that is granted under a regular trade-mark registration because it prohibits others from using the Official Mark for any wares and services and not just for the limited wares and services used by the public authority.

Due to the simplified procedure in securing Section 9 Official Marks and the broad powers that are provided to owners of Section 9 Official Marks, there has been considerable litigation to determine who qualifies as a “public authority,” thereby being entitled to register a Section 9 Official Mark. The remainder of this Charity Law Bulletin analyzes two decisions from the Federal Court, namely, The Ontario Association of Architects

v. Association of Architectural Technologists of Ontario (unreported) (the “Architects Case”) as well as Canadian Jewish Congress v. Chosen People Ministries Inc. (also unreported) (the “Chosen People Case”).

C. RECENT DECISIONS CONCERNING THE DEFINITION OF “PUBLIC AUTHORITY”

In December 1997, Chosen People Ministries, Inc. (“Chosen People Ministries”) applied to CIPO for a Section 9 Official Mark pursuant to Section 9 of the *Trade-marks Act* of Canada. The purpose of that application was to obtain protection for its logo, a stylized version of a menorah, a seven branched religious candle holder. On November 3rd, 1999, CIPO granted a Section 9 Official Mark to Chosen People Ministries for its logo.

On January 4th, 2000, the Canadian Jewish Congress (“CJC”) launched an application in the Federal Court of Canada questioning the entitlement of Chosen People Ministries to receive a Section 9 Official Mark, as well as the propriety of the decision of CIPO in granting a Section 9 Official Mark to Chosen People Ministries. As such, Chosen People Ministries was compelled to defend its logo at the Federal Court Trial Division. The Federal Trial Court released its ruling in the Chosen People Case on May 27th, 2002. A copy of the ruling can be obtained at <http://decisions.fct-cf.gc.ca> at docket number T-3-00.

In his ruling in the Chosen People Case, Justice Blais of the Federal Trial Court has cast doubt on the entitlement of charities to obtain Section 9 Official Marks. Justice Blais stated that, in determining whether an entity is a “public authority”, a three prong test must be met. The entity must establish that it is a body that is under a duty to the public, must be subject to a significant degree of governmental control and must be required to dedicate any profit earned for the benefit of the public and not for private benefit. In his decision, Justice Blais concluded that Chosen People Ministries did not meet the test of “public authority” and as a result was not entitled to receive a Section 9 Official Mark for its logo.

Justice Blais stated that:

“the fact that Chosen People Ministries was incorporated as a non profit corporation with charitable objects, had obtained tax exempt status and the ability to issue charitable receipts to donors, and also the fact that as a foreign charity operating in Ontario, Chosen People Ministries could be asked to provide its

accounts, financial and corporate information to the Public Guardian and Trustee of Ontario under the Charities Accounting Act (Ontario) was not sufficient to conclude that Chosen People Ministries was a public authority. All charitable organizations have to comply with regulations in the United States and Ontario and, [even if] they comply with the regulations in place, the charitable organizations are not subject to “significant” government control.”

In his submission, Chosen People Ministries argued that it met the test for “public authority” as established in the Canadian Olympic Association v. Registrar of Trade-marks case (“COA Case”). In that case, the Court found that the COA was subject to a significant degree of government control. The court held that in the event that the COA surrendered its charter, its assets were to be disposed of by the Government of Canada in co-operation with the International Olympic Committee. The court also noted that a substantial portion of the COA’s funding came from the federal government with the disposition of that funding being monitored by the government. In addition, the federal government had been able to prevail upon the COA to not participate in the 1980 Olympic Games. Finally, there was a close relationship between the COA, the Directorate of Fitness and Amateur Sport and Sport Canada.

In the Chosen People Case, Justice Blais held that Chosen People Ministries was not subject to any similar or analogous governmental control. Specifically, Justice Blais stated that:

“CPM is not subject to any similar or analogous government control. CPM's property is not to be disposed of at the direction of the government. The CPM is not funded by the Government of Canada or the United States and [that Chosen People Ministries] is in no way subject to monitoring by the government in any shape or form.”

Justice Blais further held that:

“To the contrary, as suggested by the CJC counsel, the Government of Canada cannot intervene in any way with churches or charitable organizations like CPM [in how they] conduct their affairs.”

As a result of the decision of Justice Blais, there is now doubt about the availability of Section 9 Official Marks for charities. Some legal commentators have interpreted Justice Blais’ decision as judicial authority for the proposition that charitable entities do not meet the test for “public authority” and therefore are not entitled to Section 9 Official Mark registrations. Whether these commentators are correct or not, it is clear

that Justice Blais' decision has significantly raised the bar for charities to be able to obtain Section 9 Official Marks.

On the same day as the decision in the Chosen People Case, i.e. May 28th, 2002, the Federal Court of Appeal released its decision in the Architects Case.

The Association of Architectural Technologists of Ontario ("AATO"), an Ontario not-for-profit corporation without share capital, applied and received public notice of the Official Marks Architectural

Technician, Architecte-technicien, Architectural Technologist, Architecte-technologue. The decision of the Registrar of Trade-marks to provide public notice of these Official Marks was challenged by the Ontario Association of Architects ("OAA") at the Federal Court of Canada.

Once again, the issue to be decided by the Federal Court was whether or not AATO was a "public authority", thereby being entitled to receive Section 9 Official Marks. The Federal Trial Court has decided that AATO was a public authority and therefore was entitled to request that public notice be given of the adoption and use of its Section 9 Official Mark. The Trial Court held that since AATO was a creature of statute, subject to the control of the legislature that created it, and that AATO's enabling legislation was capable of being amended by the government at any time it met the test of governmental control.

In ruling that the ATTO served a "public benefit", the court held that "although the AATO undoubtedly serves the interests of its members, it also owes a duty "to the public in regulating its profession" by prescribing and enforcing ethical and competency standards for its members." The Trial Court also noted that "the AATO's revenue is to be used to further its regulatory functions and not for the benefit of its members. Hence, the [Trial Court held that] AATO's statutory objects and powers that it exercised over its members sufficed to impress it with duties owed to the public and to endow it with a public function. Accordingly, its activities were for the public benefit."

The OAA appealed the decision of the Federal Trial Court to the Federal Court of Appeal. In giving its decision, the Federal Court of Appeal, in deciding whether or not AATO was a "public authority," modified

the three prong test adopted by Justice Blais in *Chosen People Ministries*. The Federal Court of Appeal amended the three prong test into a two prong test requiring that an entity establish that it is subject to (1) a significant degree of governmental control exercised by the appropriate governmental authority; and (2) the activities of the body must benefit the public. The Federal Court of Appeal, in deciding against AATO, stated that AATO was not a “public authority” and therefore it was not entitled to an Official Mark registration.

Justice Evans of the Federal Court of Appeal disagreed with the Trial Court’s decision in deciding that AATO was a “public authority.” Justice Evans held that the trial judge had erred when he concluded that “AATO’s statutory origin is in itself sufficient to make it a public authority.” Justice Evans disagreed with the Trial Court in finding that AATO was subject to governmental control simply because it is a “statutory body with no delegated power to alter its corporate powers, objects or functions without an amendment to its statute.” Justice Evans stated that governmental control required some ongoing government supervision of the activities of the body claiming to be a “public authority” for the purpose of subparagraph 9(1)(n)(iii).

In his decision, Justice Evans provided an example concerning what would constitute governmental control. Justice Evans relied upon the *Architects Act* as an example of Ontario legislation governing a self regulatory professional body where there was evidence of substantial governmental control. Pursuant to the *Architects Act*, the Minister has the authority to:

1. review the activities of the OAA’s Council;
2. request control to undertake activities that, in the Minister’s opinion, are necessary and desirable for implementing the intent of the *Architects Act*; and
3. advise the OAA Council on the implementation of the statutory scheme.

In addition, the Council’s regulation making power is exercisable with the approval of the Lieutenant Governor in Council. Justice Evans further stated that similar provisions are contained in the *Regulated Health Professions Act* and the legislation governing the regulation of the various health disciplines.

In relation to the second branch of the test, without going into a detailed analysis, Justice Evans upheld the decision of the trial judge in deciding that AATO met the public benefit portion of the “public authority” test.

D. THE FUTURE FOR SECTION 9 OFFICIAL MARKS

As a result of these two decisions released on the same date, there is now uncertainty concerning the availability of Section 9 Official Marks to charitable organizations. Not only do the decisions raise the possibility that charitable organizations will no longer be able to get Section 9 Official Marks, but more importantly, the decisions raise the possibility that charities might possibly lose Section 9 Official Marks that they currently hold, if challenged.

On October 2nd, 2002, as a result of these two decisions, CIPO published a new Practice Notice in deciding whether a particular entity qualifies as a “public authority.” In deciding whether or not a body is a “public authority”, the Registrar will now use the two part test affirmed in the Architects Case. The Registrar must find that “**(a) a significant degree of control must be exercised by the appropriate government over the activities of the body; and [that] (b) the activities of the body must benefit the public.**” The Registrar, in applying the above test, will adopt the interpretation found in the Architects Case, as well as in the Chosen People Case.

In determining the existence of significant degree of governmental control, the Registrar will be looking for evidence of ongoing government supervision of the activities of the organization and that the government is enabled, directly or through its nominees, to exercise a degree of ongoing influence in the organization’s governance and decision making. Reference should be made to the Practice Notice for a full description of the consideration.

The second part of the test is that the body must demonstrate that its activities benefit the public. The Practice Notice adopted by the Registrar will consider the objects, duties and powers, including the distribution of the bodies’ assets.

The effect of the decisions in the Chosen People Case and the Architect Case, in conjunction with the new Practice Notice has consistently heightened the bar for charitable organizations in obtaining Section 9 Official Marks. These decisions will have the impact of making it more difficult for charitable organizations to qualify as a “public authority” in order to obtain Section 9 Official Marks in the future, although it has yet to be seen

how the Registrar will respond to submissions concerning how a charity can meet the two part test in the Architect Case.

As a result of these recent changes that have occurred to Section 9 Official Marks, charities currently holding Section 9 Official Marks should ensure that they have parallel registered trade-marks for all Section 9 Official Marks they currently hold, since there are distinctive benefits available through registered trade-marks not necessarily associated with Section 9 Official Marks. Furthermore, the need for charitable organizations to proceed with separate trade-mark applications has become all the more important as a result of the potential threat to the continued viability to existing Section 9 Official Marks.