
THE 2006 ANNUAL CHURCH & CHARITY LAW™ SEMINAR

Toronto – November 8, 2006

Branding and Trade-mark Issues for Churches and Charities

By U. Shen Goh, LL.B., LL.M., Trade-mark Agent
and Terrance S. Carter, B.A., LL.B., Trade-mark Agent

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RESOURCE MATERIALS

- *“Branding & Trade-marks Handbook for Charitable & Not-for-Profit Organizations”* book by Terrance S. Carter and U. Shen Goh, LexisNexis Butterworths, 2006
- *“Avoiding Wasting Assets II – Trade-Mark and Domain Name Protection for Charities”* paper by Terrance S. Carter, presented to the Canadian Bar Association in April 2004
- Charity Law Bulletins #18 and #43 *“Trade-mark and Domain Name Protection Primer for Charities”*, available at www.charitylaw.ca

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NEW DEVELOPMENTS IN BRANDING FOR CHARITIES

- Branding is no longer limited to the business community, it now extends to the charitable sector
- A case in point is cause-marketing, a recent branding trend that encourages the public to rethink the way they purchase in order to make the world a better place

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- Many businesses now include a section on their website entitled “social responsibility”, “community involvement” or “making a difference” to evidence their commitment and connection to worthwhile charitable causes
- Examples include:
 - Shop at GAP and support THE GLOBAL FUND’s work with women and children affected by AIDS in Africa

- Buy HOME DEPOT products and support HABITAT FOR HUMANITY’s efforts to build decent and affordable homes for low-income families
- Eat at STARBUCKS and support the BOYS AND GIRLS CLUB
- Shop at JCPENNY and support the YMCA
- Eat a HERSHEY’S chocolate bar and support the RED CROSS

WHAT IS BRANDING?

- Branding is the marking of products or services for the purpose of identification, such as the “Red Cross” or “Kellogg’s”
- A brand can be any word, mark, symbol, design, term or a combination of these
- A brand can also comprise of the name, the product to which the name relates, the packaging of the product, the advertising of the product, and the reputation associated with the name or product

WHY BOTHER BRANDING?

- Historically, ranchers branded their cattle and craftsmen branded their pottery to identify themselves as owners of the cattle or pottery
- Today, branding also serves to distinguish an owner's products or services from those of his competitors

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- Branding also increases market share
- Effective branding can provide a product or service with a certain prestige, making it so desirable that consumers will not settle for lesser substitutes
- Branding also creates equity in the goodwill associated with the brand. Brands can now be recognized as an asset of a business and can be included in calculating the equity of a business

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IMPORTANCE OF BRANDING TO CHARITIES

- The business concepts or purposes of branding described in the previous slide, are equally applicable to the charitable sector
- First, charities can use branding to identify themselves to the public as the owner/provider of certain services and goods
- Second, branding also helps to distinguish one charity from another. This is especially important where a legitimate charity needs to distinguish itself from illegitimate predatory charities

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- **Third, branding can help charities increase their donor base. This is especially useful if the charity is national or international, as branding will help focus the goodwill from different parts of the country or world into one charity**
- **Fourth, branding can help charities create equity in the goodwill associated with the brand. Specifically, branding can lead to a significant licensing value in the charity’s trade-marks**

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BRANDING, MARKETING AND TRADE-MARKS

- **Branding is an essential element of marketing in today’s commercial society, including that of charities**
- **Branding is the process of creating a product identity that permits effective marketing to take place**
- **Effective marketing is an essential part of a successful branding initiative**
- **The key element of successful branding and marketing, however, is the careful use of trade-marks. Without the right trade-mark to serve as the foundation for a strong brand, effective marketing cannot take place**

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WHAT IS A TRADE-MARK?

- **A trade-mark is any mark used for the purpose of distinguishing wares and services manufactured, sold, leased, hired or performed from those of others**
- **A trade-marks can consist of**
 - **A single word, “Lego”**
 - **A combination of words, “Miss Clairol”**
 - **A logo or symbol, the big “M” in McDonalds**
 - **A slogan, “You Deserve a Break Today”**
 - **A package or container design, “the Coca-Cola bottle”**
 - **Even a telephone number, “967-1111”**

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EXAMPLES OF TRADE-MARKS AND CHARITIES

- Trade-marks are not only for businesses. Trade-marks can also be used in the charitable sector, as illustrated below:
 - The corporate name of a charity
“ABC Charity of Canada”
 - The operating name of a charity
“ABC Charity”
 - The logo of a charity
“The Panda from World Wildlife Fund”
 - The emblem or crest of a charity
“The cross for the Canadian Red Cross”
 - The slogan of a charity
“Run for the Cure”

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IMPORTANCE OF TRADE-MARKS TO CHARITIES

- Trade-marks represent the goodwill of a charity by providing a focal point for:
 - Membership
 - Developing sponsorship opportunities
 - Enhancing the reputation of the charity
 - Facilitating donations for charities
- Trade-marks also distinguish one charity from another charity
- Trade-marks have both present and future marketing value in relation to the sale of promotional materials, as well as goods and services
- Trade-marks have licensing value with regard to local chapters and in other jurisdictions

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TRADE-MARK LICENSING

- When is trade-mark licensing relevant?
 - When a charity is setting up local chapters and wishes to maintain the ownership and control of a trade-mark
 - When a charity expands to other countries and wishes to maintain ownership and control of its trade-marks
 - When a charity permits other organizations to use its trade-mark as evidence of membership or standards be maintained

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- When a charity permits its trade-mark to be used in conjunction with an event conducted by others on behalf of the charity
- When a foreign charity is sponsoring a new organization in Canada and wishes to retain ownership and control of the trade-mark
- When a charity enters into a sponsorship agreement with a sponsor

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- Current licensing requirements for trade-marks
 - There must be a licensing arrangement
 - The license arrangement should be in writing but not necessarily
 - License must be granted by the owner of the trade-mark
 - Owner must maintain direct or indirect control of the character, quality and use of the trade-mark in association with wares and services
 - The *Trade-marks Act* deems the use of a licensee to be use of the owner

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- Use and enforcement of the trade-mark license
 - Marking
 - Important to show that the user is a licensee
 - e.g., “Help The Children” is a Reg™ of “Help The Children International” used under license by “Help the Children Canada”
 - Enforcement
 - Licensee may call on owner to take proceedings to enforce protection of trade-mark
 - Licensee can establish evidence of use for a proposed use by licensor

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- **General licensing considerations**
 - Scope of license
 - Licensee’s undertaking
 - Quality control
 - Controlling use
 - Assignment and sub-license
 - Licensee’s standing

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- Prescribe boundaries for licensed goods and services
- Liability concerns
- Maintaining confidentiality
- Royalties
- Termination of license agreement
- Effect of termination of agreement

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CHARITIES’ FIDUCIARY DUTIES WITH RESPECT TO TRADE-MARKS

- Trade-mark is often one of the most valuable assets of a charity
- Directors of a charity have a fiduciary obligation to protect the trade-mark and good will of a charity
- As such, directors of a charity need to ensure that all trade-marks are properly identified, protected and applied in fulfillment of a charity’s charitable purposes

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- Trade-marks are fragile assets that can be lost or eroded through errors of commission and/or omission
- Trade-marks must be used in a proper manner to protect and enhance their value, instead of diminishing their value or turning them into a wasting asset
- As such, both directors and CEO's and those who advise charities need to be familiar with trade-mark issues

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HOW TRADE-MARKS BECOME WASTING ASSETS

- Confusion with pre-existing trade-marks or trade names
- Failure to restrain unauthorized use of trade-marks resulting in loss of distinctiveness
 - Similar corporate names
 - Similar association names
 - Similar logos
 - Similar domain names on the internet
- Confusion in names involving estate gifts to charitable associations

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- Failure to properly control licensing of a trade-mark
- Abandonment through lack of use
- Limitation on trade-mark rights as a result of not objecting to trade-mark registration by others
- Dilution of trade-mark through inconsistent use
- Trade-marks are used with wares and services different from those listed in the trade-mark registration

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PROTECTING THE TRADE-MARK

- A “portfolio management” approach in protecting trade-marks is required
- Ensure parallel registrations of the trade-marks, trade names, corporate names and domain names
- Monitor infringement by other competing trade-marks
- Be pro-active in stopping infringement of a trade-mark

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- Protect an unregistered trade-mark
 - Protection under corporate law
 - Expunging a competing registered trade-mark
 - “Passing off” action at common law
- Protection under the *Trade-marks Act* for registered trade-marks
- Ensure proper usage of the trade-mark
- Ensure proper monitoring and enforcement of trade-marks
- Avoid abandonment under common law

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